United States
Department of Agriculture

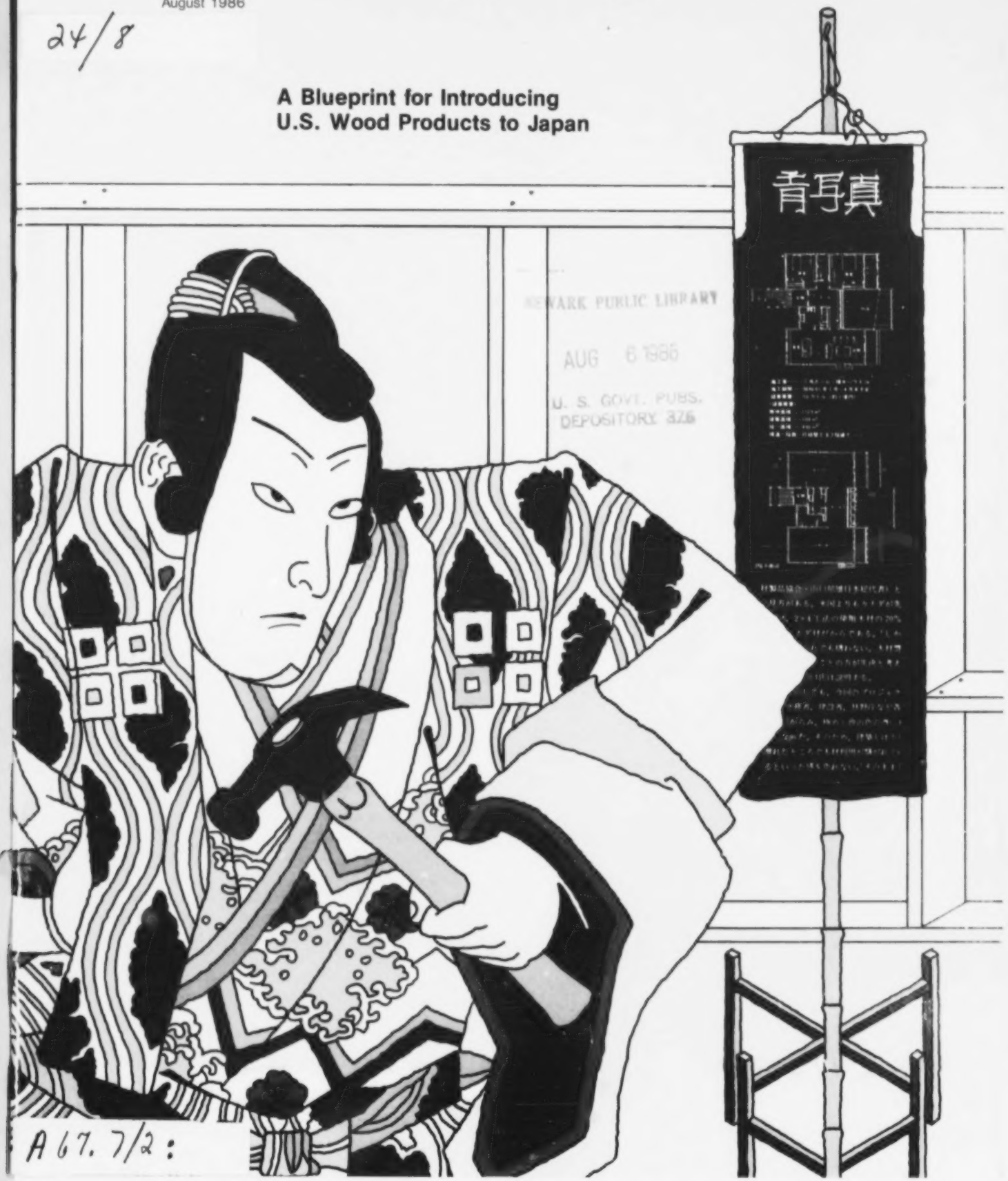
Foreign Agricultural Service

August 1986

Foreign Agriculture

24/8

A Blueprint for Introducing U.S. Wood Products to Japan



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Marketing News

1987 NASDA Food Show Planning Underway

The third biennial Food & Agriculture Exposition, sponsored by the **National Association of State Departments of Agriculture,** will be held April 29, 1987, in Seattle, Wash. Seattle was chosen as the location for the show so that visitors from Pacific Rim nations could meet U.S. companies while en route to other U.S. locations.

A major theme of the three-day exposition will be trade opportunities within the Pacific Rim nations. The exposition is the only food and related products show designed exclusively to make U.S. products and suppliers from all parts of the country easily accessible to traders from around the world. The first two shows attracted visitors from more than 80 nations. For further information, contact Farrell Higbee, (202) 628-8096.

Soybean Oil Promotion Builds New Markets In U.K.

The **American Soybean Association** has been promoting soybeans and soybean products in the United Kingdom for several years, with impressive results. Part of the Association's success has been increasing recognition of identified soybean oil. Although soybean oil was available on British supermarket shelves, oil processors were blending low-cost soybean oil with other vegetable oils and then selling it to consumers as unidentified vegetable, cooking or salad oils. The Association's Brussels office designed a program to increase consumers' recognition of soybean oil as a premier, high-quality food product.

As a result, "73 percent of the U.K.'s major grocery stores now carry cooking oils made with soybean oil," said Dennis Blankenship, head of the Brussels office. "And consumer use of cooking oils, which are identified on the bottle as soybean oil, has increased 32 percent in volume and 57 percent in value."

The Safeway food store chain now labels its store brand of cooking oil as "pure soya oil"; previously it had been labeled as "vegetable oil". Safeway is one of 18 soybean oil marketers that now identify their product as soybean oil. Before the promotion, there were only two.

Now the Association is setting its sights on the margarine industry. A year ago, no margarines in England listed soybean oil as an ingredient. Today, three leading supermarkets are labeling their margarines as made with soybean oil. Negotiations with other supermarkets and margarine manufacturers indicate that several more margarine products may be identified as made with soybean oil by year's end.

ATO/Hamburg Has Things Popping in Germany

This past spring, the **U.S. Agricultural Trade Office** in Hamburg, in cooperation with a West German importer and distributor, promoted U.S. popcorn in 1,000 retail outlets throughout the country. This was the first such promotion for U.S. popcorn in the German market. The promotion, featuring a 500-gram retail pack of U.S. raw popcorn identified with the "USA QUALITY FOODS" logo, resulted in sales of over $415,000.

As a result of this activity, the West German firm increased its retail sales of U.S. popcorn by 55.7 percent over a year earlier. The firm also reported a 124-percent increase in the value of retail sales.

As a result of this success, the West German company will continue the promotion. This time, U.S. popcorn will be promoted in the fresh fruit and vegetable sections of retail outlets, where it is believed sales opportunities are greatest. In addition, another large West German importer/distributor is now interested in doing a similar retail promotion for U.S. popcorn.

The Magazine for Business Firms Selling U.S. Farm Products Overseas

Published by
U.S. Department of Agriculture
Foreign Agricultural Service

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Cover by Richard Barnes

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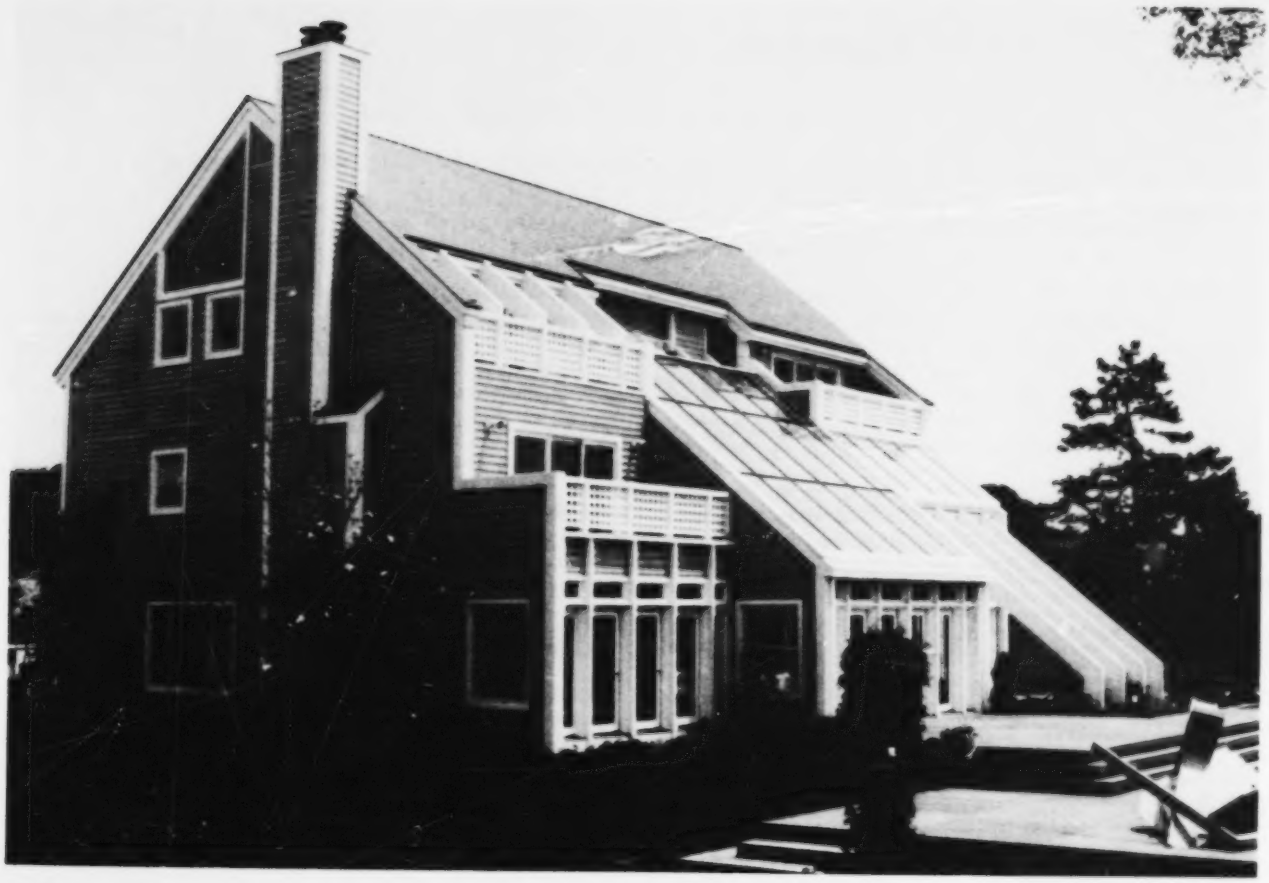
Model House Showcases U.S. Wood Systems in Japan



By David Garten

Summit House, a three-story wood structure showcasing the latest U.S. timber framing and structural wood panel technology, is the newest venture of the U.S. forest products industry aimed at expanding the Japanese market for U.S. wood products.

The 5,000-square-foot house, built of donated U.S. wood products in Tokyo, was officially opened to the public in May. The full-scale model demonstrates U.S. construction practices and techniques, the use of structural wood panels and lumber products and advanced U.S. building systems and their applications in a multi-story, all-wood framed building.

Project Counters Unfair Trade Practices

Although Japan is the largest market for U.S. forest product exports, nearly 80 percent are in the raw material form of logs and chips. The U.S. forest products industry wants greater access to Japan's construction industry for a range of processed wood products which are restricted by a variety of barriers.

The industry is seeking the elimination of import tariffs on veneers, lumber, laminated products, moldings and panel products, as well as development and revision of product standards.

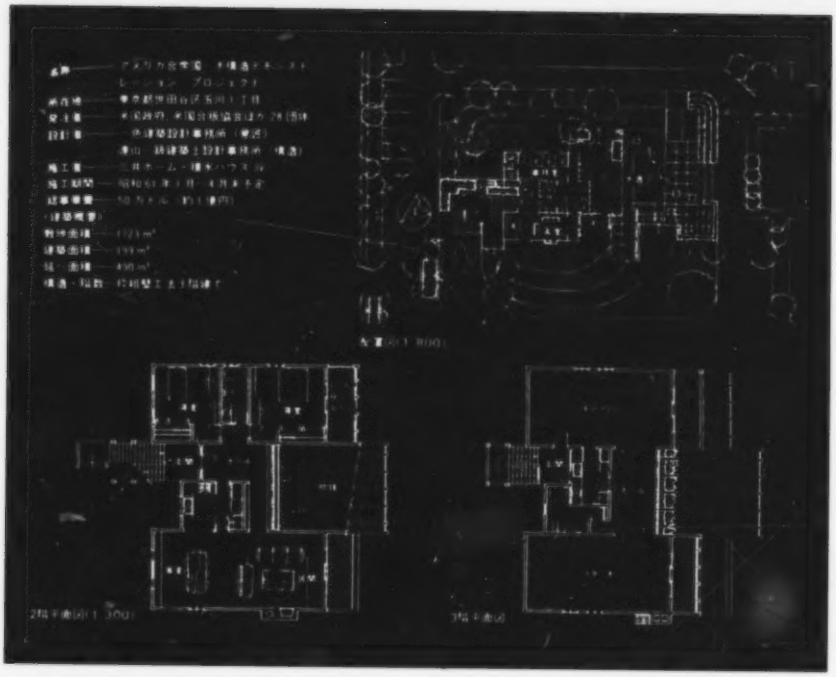
The Summit House project is part of a $1.95-million market development program for U.S. wood products in Japan announced by the U.S. Department of Agriculture in April to counter unfair trade practices.

Promotional activities on behalf of the U.S. wood industry are being carried out cooperatively through an agreement between USDA's Foreign Agricultural Service (FAS) and the American Plywood Association, a nonprofit commodity organization which has worked with FAS on promotional programs since 1979.

Trade Talks Pave the Way

The Summit House project is an outgrowth of market-oriented sector-selective negotiations—dubbed the MOSS talks—between the two countries.

Designed to identify trade barriers and develop a schedule for their removal, the talks centered on four key sectors—including forest products—chosen for their market size in Japan and strong U.S. competitive position.



Following a year of intensive negotiations, the U.S.-Japan MOSS Forest Products Group reached an interim agreement last January on tariff reductions.

Japan pledged to reduce tariffs on veneers, lumber, laminated products, moldings and panel products other than plywood. Plywood tariff reductions will occur in two stages—in April of 1987 and 1988. The Forest Products Group also committed itself to the development of new and revised product standards for laminated lumber and nonveneered panel products by the end of the year.

With the progress achieved in the MOSS talks, the next step was to promote the use of U.S. forest products in Japan. During the talks, the United States offered to build the model house to demonstrate the advantages of energy-efficient and economical wood buildings.

"The Japanese building industry was very interested and supportive, donating both materials and services to the project," said Larry Blum, deputy director for marketing with the FAS Forest Products Division. "The government of Japan also was quite supportive—in fact, its role was critical to the success of the project."

House Promotes Advantages of Wood

The demonstration model was seen as a way to convince the Japanese that with U.S. materials and techniques, they can build strong, durable houses. U.S. wood systems also can offer high-quality, energy-efficient housing at more affordable prices than steel and masonry construction.

Although the Japanese have a long tradition of living in wood houses, they are building more cement and steel structures today because of concern for fire, earthquakes and other disasters.

"Japan's history of earthquakes and the fire bombings during World War II led to the development of stringent building and product requirements," Blum said. "The Japanese building code and zoning laws generally prohibit the construction of wood buildings higher than two stories.

"We appreciate their concerns, but we believe that modern wood building systems will not only meet the performance characteristics of steel and masonry construction, but will perform better," he said. "Summit House offers the Japanese a cost-effective alternative to meet their growing housing needs—an alternative that more than satisfies their safety requirements."

Documentation shows that wooden structures fare better than masonry construction in earthquakes. Also, in certain fire situations, wooden beams will continue to perform longer than steel.

House Modified To Meet Regulations

Although multi-story wood houses are prohibited, Summit House was granted a special permit by Japan's Ministry of Construction. The Ministry, however, would not agree to a cost-efficient wood basement—which was to demonstrate decay resistance—or a wood roof.

As a compromise, the house has a copper roof, and a wooden pool made of materials pressure-treated with decay-resistant chemicals was built outside.

Tokyo architect Yuji Noga designed the structure as a multi-purpose building, combining office and living accommodations with space on the third floor for a studio or workshop.

Floors are made of plywood, waferboard and oriented strand board (compressed wood fibers bonded with resin) over heavy timbers or wood I-beams. The walls use 2x6-inch studs, allowing for increased insulation.

Materials Tested for Approval

The strength and durability of these wood materials are being tested for approval under the Japanese Agriculture Standards. In addition, the Ministry of Construction will review regulations on platform frame construction with an eye toward approving the building system for large structures.

Other Projects Around the World

While the U.S. wood products industry gears up to take advantage of the opportunities generated by the Summit House project, it is also busy in other parts of the world.

In China, the American Plywood Association is promoting U.S. construction materials and systems for wood houses and other applications. Last winter, a two-story model house opened to the public in Beijing to show the Chinese that wood is strong, economical and easy to work with.

With the assistance of a U.S. construction specialist sent in by the American Plywood Association, a local crew erected the house in three weeks. The 1,098-square-foot structure includes a combination living/dining room, kitchen, bathroom and four bedrooms.

The structure of the walls, roof and floor of the house was designed to withstand earthquakes and high winds.

The project is sponsored by the China National Native Produce and Animal By-Products Import and Export Corporation and the American Plywood Association. The house was produced with the support of FAS and the Micronesia Institute.

Several countries in Latin America and the Caribbean also have received model houses as the result of the combined efforts of the American Plywood Association and the Southern Forest Products Association.

Demonstration houses, affordable by low and middle-income families, were built in Peru, Chile, Ecuador, Barbados, the Dominican Republic and Jamaica this fiscal year, and are planned for Guatemala next year.

"Summit House is a cooperative effort by the governments and industries of the United States and Japan with the common objective of increasing wood utilization in Japan," Blum said. "We are confident that this cooperative spirit will continue, resulting in changes in construction regulations that will allow greatly expanded multi-use wood construction.

"We hope the demonstration house will revitalize Japanese interest in wood construction in general," he added. "Although the Japanese Forestry Agency has been trying hard to promote wood houses, there is an overall stagnant demand for wood products. If the Summit House is successful in creating new demand for wood, it will help the sagging Japanese lumber industry as well."

Media Coverage Generates Interest

News media and trade publication reporters have flocked to the site since February when the American Plywood Association sent framing and drywall crews to Tokyo to begin the 83-day construction project. News reports, feature articles and television interviews covering every phase of the project have attracted the public's attention, drawing thousands to the site even before the structure was completed.

For the next three years, Summit House will be used as a site for seminars, workshops and training on U.S. wood systems. Following that, it will be turned over to the people of Setagaya Ward, the section of Tokyo in which it is located, to be used as a community center. ■

The author is with the Information Division, FAS. Tel. (202) 447-2375.

U.S. Corners High-Quality Beef Market

By Cristal Quinn

In terms of volume, the United States has only a 3-percent share of world trade in beef. That doesn't sound like much unless the beef happens to be the expensive, high-quality, grain-fed variety.

U.S. beef exports were valued at $427 million in 1985. That figure places the United States among the top three beef exporters.

Forecasts call for U.S. beef and veal exports to continue their upward trend. With the help of creative promotional work, more markets could be opened or expanded.

Adding to the overall stability of the U.S. beef export situation is the fact that U.S. high-quality beef enjoys a comparative advantage on the international market. U.S. producers have more incentive than their foreign counterparts to produce high-quality beef because of strong domestic consumer demand for this kind of beef and because of abundant supplies of feed grains.

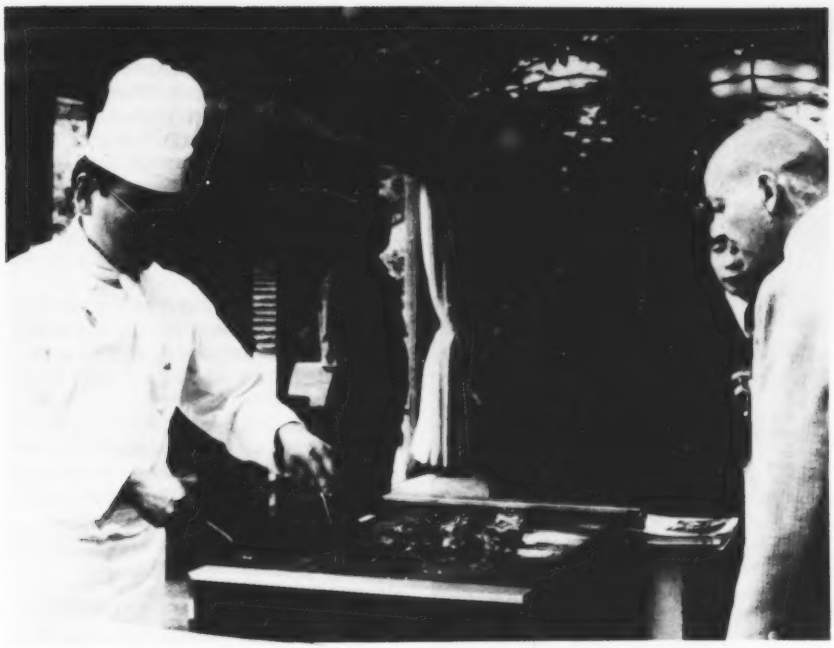
Moreover, since the United States primarily supplies the hotel and restaurant trade rather than the manufacturing beef market, it has been able to avoid direct competition with other major suppliers.

The U.S. advantage is borne out by the fact that U.S. beef exports continued to increase even through the period when the dollar was the strongest.

High-Quality Versus Grain-Fed Beef

Although other countries could produce high-quality, grain-fed beef, the United States remains the primary producer and supplier of this type of beef.

High-quality beef is defined as meat from cattle not over 30 months of age which have been fed 20 pounds total feed per day for 100 days or more on a nutritionally balanced, high-energy feed concentration of at least 70 percent grain.



In terms of volume, grass-fed or manufacturing-type beef accounts for most of beef traded in the world. Argentina, New Zealand, Australia, Brazil and the European Community (EC) are the major suppliers. Except for the EC, these countries enjoy the advantages of low-cost rangeland and labor.

The United States does not produce much grass-fed beef and, in fact, must turn to foreign suppliers to fill demand. Higher production costs place U.S. grass-fed beef at a disadvantage in the domestic market. What grass-fed beef is produced here is primarily a byproduct of the cow-calf and dairy industries.

Most Consumption Patterns Declining

Around the world, consumers in general are eating less beef. Annual consumption was down from about 38 pounds in 1980 to about 36 pounds in 1984. In the United States, however, beef consumption was about 108 pounds in 1984, up 3 pounds from 1980.

Despite the global trend, decreased consumption has not caused U.S. beef exports to fall below previous levels. That is due to the stable demand for grain-fed beef.

The countries that consume the most beef are the United States, Argentina, Uruguay, New Zealand and Australia. All of these countries, except the United States, are major producers of grass-fed beef; and all are more than self-sufficient in beef supplies.

Per capita consumption of beef among the major beef producers—Australia, New Zealand and Uruguay—is decreasing. Beef consumption also is falling in Canada, Germany, Brazil and Venezuela.

In a number of cases, the reason for the decline seems to be a shift in consumer preferences. In Australia and Germany, pork consumption has been increasing slightly. In Canada and Venezuela, poultry consumption is on the rise.

In contrast, Japan, Saudi Arabia, Panama and Egypt all have increasing per capita consumption of beef. However, most of the increased beef consumption is of the grass-fed variety.

Four Markets Take Most U.S. Exports

Japan, Canada, the Bahamas and Saudi Arabia account for about 90 percent of U.S. beef exports. Japan imports 80 percent, while Canada, the Bahamas and Saudi Arabia combine for 10 percent. The remaining 10 percent is distributed among approximately 70 other countries.

Japan—Although Japan is the largest market for U.S. beef, the United States provides only 40 percent of Japan's requirements. Imports of grass-fed beef—the major portion of Japan's imports—are filled primarily by Australia which holds 54 percent of the Japanese beef market. New Zealand, Canada and the EC are minor suppliers.

High-quality beef is used in Japan primarily by the hotel and restaurant industry. However, the Japanese have an appreciation for heavily marbled beef, making Japan one of the few countries that has significant consumer demand for grain-fed beef.

Developing product familiarity can be a problem in countries that eat only lean beef. For the most part, such is not the case in Japan, where quotas are the only real barrier slowing down more rapid growth in the market.

Canada—Because of its proximity to the United States, Canadians sometimes find it cheaper to import beef from the United States rather than ship to and from different areas within Canada. Domestic demand for high-quality beef does exist; and, like Japan, lack of product familiarity is not an issue.

The United States usually ranks third among Canada's major traditional beef suppliers, with Australia and New Zealand leading the field.

In 1984, however, the EC increased its share, becoming the largest beef exporter to Canada. The EC, faced with an oversupply of beef, lowered its prices and flooded the market with cheap beef. That year, EC sales in Canada accounted for 37 percent of the market; New Zealand supplied 27 percent; Australia, 18 percent; and the United States, 17 percent.

As a result of the EC raid, Canada placed a quota on EC beef exports; it does not, however, affect U.S. high-quality beef shipments.

Bahamas—Bahamian beef imports from the United States last year showed a slight decrease because of the declining tourism and the strength of the U.S. dollar. The situation could change because tourism is expected to pick up. The recovery is due to a weakened U.S. dollar at a time when U.S. tourists are avoiding Europe and the Middle East because of threats of terrorism.

The United States accounts for most of the Bahamas' imported beef, a 90-percent share. Canada supplies about 9 percent of the market.

Saudi Arabia—The Saudi hotel and restaurant industry, which caters to a large number of business visitors, was expanding rapidly until falling oil prices brought a drastic decline in the country's business activity. As a result, there has been a slight decrease in U.S. beef shipments.

The EC, Australia and the United States are the major suppliers to Saudi Arabia. The EC supplies 86 percent of the Saudi market, and the United States and Australia each supply 6 percent.

Promotions Expand the Market

The possibility of opening new markets and expanding old ones still exists. As exporters become more aware and concerned with the different markets, U.S. exports should increase. There are still markets that are not familiar with U.S. high-qualilty beef or its availability. Even in places like Japan, which buys a majority of U.S. beef exports, there are some consumers unfamiliar with the attributes of U.S. beef.

Working to make U.S. beef a familiar food in every kitchen, the U.S. Meat Export Federation, in tandem with the Foreign Agriculture Service, is active in a number of a market development projects.

Established in 1976, the Federation is a nonprofit trade association—its task is divided between promotional activities to stimulate demand for U.S. meat and efforts to facilitate market access. Based in Denver, it currently maintains offices in Tokyo, Singapore, Hamburg and Caracas.

In its 10-year history, the Meat Export Federation has participated in two rounds of trade negotiations with Japan and helped to increase Japan's high-quality beef import quota from 6,800 metric tons in 1977 to 58,400 tons by 1988.

The association also has been active in dealing with trade problems with the EC, Mexico, Canada and Egypt.

In the area of market development, consumers and tradespeople throughout Europe and the Latin American/Caribbean region have received various types of informational brochures explaining the quality and nutritional value of grain-fed beef. The Federation is also active in the media, at trade shows and in product demonstrations and seminars.

Market Gains Through Negotiations

In addition to market development, markets for U.S. high-quality beef were obtained or expanded through negotiations.

During the Multinational Trade Negotiations of 1979, the United States gained access quotas for its high-quality beef into various countries. The tenets of the agreement are still in force. Here are some highlights of the pact.

Switzerland—As a result of the MTNs and in exchange for access to the American cheese market, Switzerland opened a global quota of 2,000 tons of high-quality beef of which 700 tons is set aside for the United States. This was in addition to a 300-ton quota that had been agreed to previously.

Access has been difficult because the Swiss have tied imports to the purchase of domestic beef. The only authorized importers are Swiss butchers. Anyone wanting to import beef, including the hotel and restaurant industry, can do so only through three butcher organizations.

The Swiss butchers are required to purchase all beef offered to them by the domestic producers, usually at high domestic prices. In turn, the butchers are granted licenses based on domestic cow slaughter. This severely limits U.S. imports because Swiss butchers make a better profit margin buying the cheaper beef from exporters like Argentina, Zimbabwe and Uruguay than by purchasing a higher priced beef from the United States.

Demand by end-users for U.S. meat in Switzerland is blocked due to the combination of licensing restrictions and the difference in profit margin. Yet the end-users can afford the higher priced beef and are willing to purchase it. Unless the end-users' demand for high-quality beef is able to surface, U.S. beef exports to Switzerland will most likely remain low and not fill the 1,000-ton quota.

Austria—In return for access to the U.S. cheese market, Austria granted a quota for fresh, chilled or frozen high-quality beef cuts for use in hotels and restaurants. This quota in 1979 was 300 tons and is to increase to 600 tons this year. However, Austria's obligation to import beef is tied to its exports of beef and live bovine animals. This provides the Austrian government a means of deferring or even suspending the quota.

As in Switzerland, the U.S. beef quota for Austria has not been filled. The main reason being Austria's old import license system. The system contained some regulations that made importing U.S. beef so expensive and difficult that importers preferred not to deal with the problem.

After the import licensing system was changed in 1982, many more licenses were requested, but not all were used because of the price of U.S. beef compared to other beef. Now that the dollar is weakening, more U.S. beef could be going to Austria.

European Community—As a result of the Tokyo Round of the MTNs, the EC granted the United States a 10,000-ton quota for high-quality beef at a 20-percent tariff with no variable levy. U.S. shipments to the EC have been low because of the oversupply of EC beef due to the EC's heavily subsidized beef production and dairy programs.

Tips for Meat Exporters

Before U.S. beef exporters pack their bags and order books for a business trip abroad, there are a few tips they should note.

Ritual Slaughter—Many countries and ethnic groups have special ritual slaughtering requirements. The exporter is responsible for obtaining the slaughter certificates proving the slaughter was done as required.

For example, Islamic law requires a Halal certificate from an approved Islamic center as well as the regular USDA export certificate. Most of the U.S. beef exports to Islamic nations are in the Middle Eastern and Asian Muslim markets. Although these markets may not be major importers of U.S. beef, they are growing markets which the United States could lose if it does not adhere to the requirements.

Ritual slaughtering procedures and other requirements have to be taken seriously. Any attempt at fraud or forging export certificates is not only illegal, it also hurts the chances of other U.S. exporters.

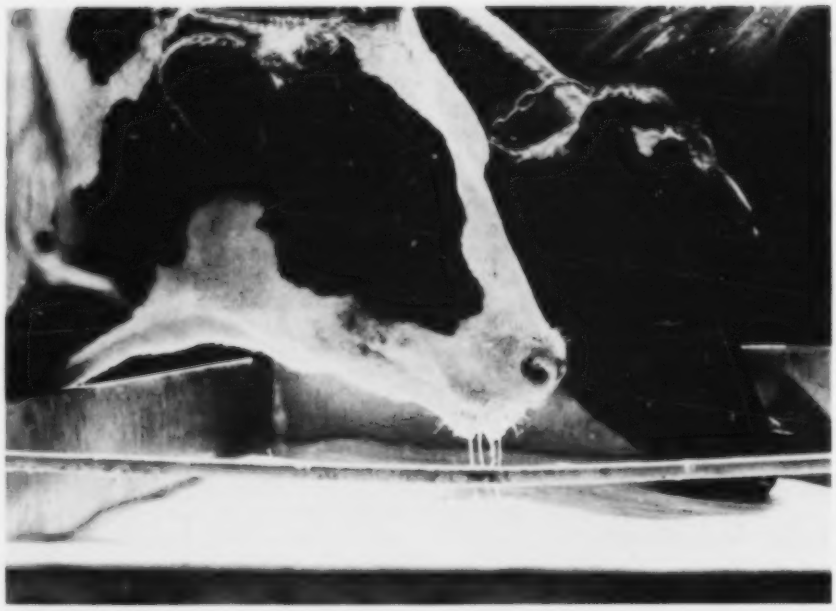
Tariffs—Tariffs can be used to raise prices of imported products in order to protect domestically produced products and industries. For instance, Mexico has a 50-percent import tariff on beef.

Import Licenses—Import licenses are required for certain products in specific countries. These can be used to control the amount of imports of the product. In some countries, the requirements for obtaining an import license are costly and difficult.

In the EC, for example, a deposit is required as a surety on the amount of beef the importer intends to import before the meat is even shipped. ■

The author recently completed an internship in the Dairy, Livestock and Poultry Division, FAS.

World Dairy Giants Vie for Markets



By John J. Reddington

The international market for dairy products is a small, highly competitive one. Trade is characterized by a proliferation of barriers and import controls in all major developed countries as well as widespread use of subsidies and other assistance measures to dispose of surpluses.

Access to all markets in developed industrial countries is tightly controlled for butter, cheese and other milkfat products. Apart from New Zealand's butter exports to the United Kingdom, international trade consists almost exclusively of exports form Western developed countries to the USSR, Eastern Europe and developing countries, particularly in the Middle East and North Africa.

Fierce Competition for Markets

Approximately 95 percent of the world's production of milk is consumed in the country of production. As a result, only 5 percent is made into dairy products that enter international trade. And competition for that trade is fierce.

The European Community (EC) is the world's largest dairy exporting region, followed by New Zealand and the United States.

The EC produces nearly one-fourth of the world's milk. Although EC consumption of milk and dairy products is very high, the Community produces a substantial surplus of milk.

A milk delivery quota scheme was instituted in 1984 to reduce surplus milk output. Even with the quotas in place, the Community continues to produce over 15 million tons (3 percent of world output) more milk than its consumers use.

This milk, manufactured into dairy products, is exported with substantial government subsidization, fed to livestock and poultry or accumulated in storage.

New Zealand—Small Producer, Big Exporter

By international standards, New Zealand is a relatively small dairy producer. Total milk production is a little less than 12 percent of that of the United States. It accounts for less than 2 percent of total world milk output.

Yet New Zealand is a major supplier to the relatively small international dairy market. It accounts for one-fifth of world dairy trade if intra-EC trade is excluded. The New Zealand Dairy Board is the largest single trader of dairy products in the world.

For products such as casein, New Zealand accounts for 45 percent of world trade. Nearly all milk powder products and virtually all casein is produced for export. Domestic butter and cheese consumption accounts for less than one-fifth of total butter production and only one-fourth of cheese production.

About three-fourths of New Zealand's production of butter and cheese, and 95 percent of casein and milk powders are exported.

U.S. Is Small but Crucial Player

The United States is a rather small player in the international dairy market, yet it has a major influence on world dairy trade. This is especially true in nonfat dry milk exports, as the United States has emerged as the largest exporter since 1983. This will most likely continue in 1986 and 1987.

Additionally, the 1985 Farm Bill mandates that 150,000 tons of dairy products be sold during each of fiscal years 1986-88, specifically 100,000 tons of butter and 50,000 tons of cheese. These sales will be in addition to normal commercial export sales.

Stability in world dairy trade is still some time away, given the EC's oversupply and subsidies and New Zealand's increases in milk production. Imbalance has become a structural feature. EC disposal internally to animal feed and heavy subsidization for export will remain a permanent feature of the Common Agricultural Policy.

Where Are the Markets?

The immediate outlook for international dairy trade is bleak, as stocks are high and prices low. Hopefully, U.S. policies will begin to achieve a better domestic balance between supply and demand.

In the meantime, competition for markets will remain tough and the United States will be required to use the tools available under the 1985 Farm Bill to be competitive.

Where are the markets for an additional 150,000 tons of dairy products?

Iraq, Saudi Arabia and Algeria have emerged as new consumers of New Zealand butter. Iraq has been buying between 3,000 and 6,000 tons of butter a year since 1980. Algeria entered the market in 1983/84 with 2,000 tons from New Zealand, and Saudi Arabia entered the market with a purchase of 4,400 tons from New Zealand.

There are opportunities for butter oil sales to Indonesia, the Philippines, Singapore, Malaysia, Mexico and Peru. Middle Eastern and sub-continent markets prefer butter oil for ghee as a cooking medium. Butter oil markets have been supplied primarily by the EC and New Zealand.

The pattern of international dairy trade in cheese is more complex than for other dairy products because of the diverse range of cheese varieties available. Outside of the United States and the EC, Japan is the largest consumer of cheese.

China is a potential market that should not be overlooked as other dairy producers are beginning to develop dairy market promotion activities there. ■

The author is U.S. agricultural attache in Wellington, New Zealand.

World Dairy Trade at a Glance

The world **butter and butter oil** market is dominated by the European Community (EC) and New Zealand. They account for 40 and 29 percent, respectively, of the market.

Variations in exports by other suppliers has been and remains important at the level of individual markets. But the key pattern of trade flows is determined by how exports from the EC and New Zealand are accommodated and split between the USSR and the Middle East.

In recent years, the important butter markets have been the USSR, Iran and Algeria, which together account for approximately 40 percent of total butter and butter oil imports.

The USSR, which has emerged a major butter importer, has been crucial to the EC as an avenue for the disposal of surplus stocks and to New Zealand in accommodating that country's reduced access to the EC.

High world prices in past years boosted New Zealand's export earnings and cut EC export subsidy costs. This all changed in 1985 when the EC sold butter below General Agreement on Tariffs and Trade (GATT) minimum prices and New Zealand followed by selling below world minimum prices as well.

As a result, New Zealand has been forced to search for new markets in the Middle East and North Africa due to EC-reduced butter quotas. The wealth generated from Middle East oil exports has facilitated an expansion of butter imports, a traditional item of Middle Eastern diets.

The United States and the European Community are the largest importers of **cheese.** Import controls in these two countries favor specialized varieties. Outside these areas, there is a measure of open competition among exporters for a limited market of 570,000 tons. The major market is Japan, where imports have grown to 82,000 tons supplied primarily by New Zealand, Australia and the EC.

International trade in **milk powder** is predominantly with developing countries. Whole milk powder exports have averaged around 700,000 tons in recent years, with the EC supplying over 70 percent and New Zealand most of the balance.

Nonfat dry milk exports are dominated by the EC, the United States, New Zealand, Australia and Canada, which account for 90 percent of world trade. Most U.S. exports have been through food aid.

In the **casein** market, New Zealand is the major supplier, followed by France, Ireland, the Netherlands and Poland. The major market is the United States. The Soviet Union is trying to persuade New Zealand to purchase 200 tons of its industrial casein in order to balance the trade with New Zealand. New Zealand does not consume casein and would probably try selling it in Japan or the United States.

Humble Potato Becomes 'Good-Meal Ambassador' to Japan

By Sandy Squires

The humble, unsexy potato has become America's "good-meal ambassador" to Japan, thanks to the market development work done by the National Potato Promotion Board.

In 1974, the Potato Board began the spadework to bring together Japanese consumers and the high-quality U.S. potato, rich in nutrition and versatility.

Today, Japan has earned the rank of the overseas potato capital for U.S. exporters by becoming the biggest buyer of U.S. frozen potato products.

As Japan's potato production has leveled off in recent years, its imports of frozen potatoes have risen to keep pace with the demand from the foodservice industry and the growing retail market.

Imports From U.S. Triple

During 1978-84, Japanese imports of frozen potato products more than tripled, going from 16,404 metric tons to 50,186 tons.

In contrast, Japan's domestic production has leveled at around 37,000 tons—a change of less than 1,500 tons in seven years. According to Japan's trade data, the import share of the market has ballooned from 29 percent to nearly 58 percent while the domestic share has dropped accordingly.

Japanese imports of U.S. frozen potatoes rose threefold during this period, shooting from 14,874 tons in 1978 to 44,282 in 1984. Preliminary figures show that 51,927 tons valued at $36,972 million were delivered in 1985.

Roughly nine of every 10 pounds of frozen potato products imported into Japan come from the United States. The U.S. share of the total Japanese potato market now stands at about one-half.

Restaurant Industry Leads Surge

The booming $85-billion restaurant industry has been the cornerstone of U.S. potato exports to Japan. Many fast-food outlets, family restaurants and hotels use U.S. potato products because of their superior quality.

American fast-food outlets are especially popular, so much so that Japanese consumers now spend an average of $33 a month on hamburgers and french fries. McDonald's, Kentucky Fried Chicken and Lotteria, a Japanese chain, use 20,000 tons of U.S. frozen fries per year. These three outlets alone account for almost half of all U.S. potato exports to Japan.

Family-style restaurants are also becoming a big hit with the Japanese consumer. By offering convenience, good prices and value, these restaurants have a special appeal to the 60 percent of Japanese women who work outside the home.

Stepping Up U.S. Promotions

Although there is broad usage of U.S. frozen products in the Japanese market, many Japanese businesses still use domestic products. The Potato Board conducts several programs to encourage them to switch to high-quality U.S. potatoes.

Ads in food service publications explain preparation methods and feature various recipes. Special brochures for foodservice outlets are distributed by the Board's information office in Tokyo.

And each March, the Board and U.S. potato processors sponsor a booth at the Hoteres/Foodex exhibits in Tokyo. Cooking seminars also are held for restaurants that use domestic products so they can experience U.S. quality potatoes firsthand.

Thus, Japanese consumers are becoming more and more aware of U.S. frozen potato products through the restaurant industry and are now beginning to serve them at home. Like their American counterparts, as more Japanese women enter the work force, their interest in Western menus and their dependence on processed foods when preparing meals and snacks is increasing.

Japan's retail market for frozen potato products is still small at only 16,000 tons, but the outlook for growth is promising.

Potato Board Spreads the Word

Working with U.S. potato processors and Japanese supermarkets, the Potato Board conducts in-store demonstrations, which help boost sales of U.S. potato products and generate interest and goodwill among Japanese homemakers.

Another way of spreading the word on the many uses of the American potato is through the cooking classes conducted jointly by the Board and processors for homemakers in their own neighborhoods. Consumer advertising, stressing the message of quality and convenience, also reaches many Japanese homemakers.

Meeting and Beating the Competition

The main competition in the Japanese frozen potato market comes from Canada and Japan itself. Canada remains the major export competitor. Canada's share of the import market seems to have leveled off. The Canadian market share was approximately 12 percent in 1983 and 1984.

However, the chief U.S. competitors are the Japanese. Although their market share has declined over the past five years, lower prices will continue to give domestic potatoes a competitive edge on U.S. exports.

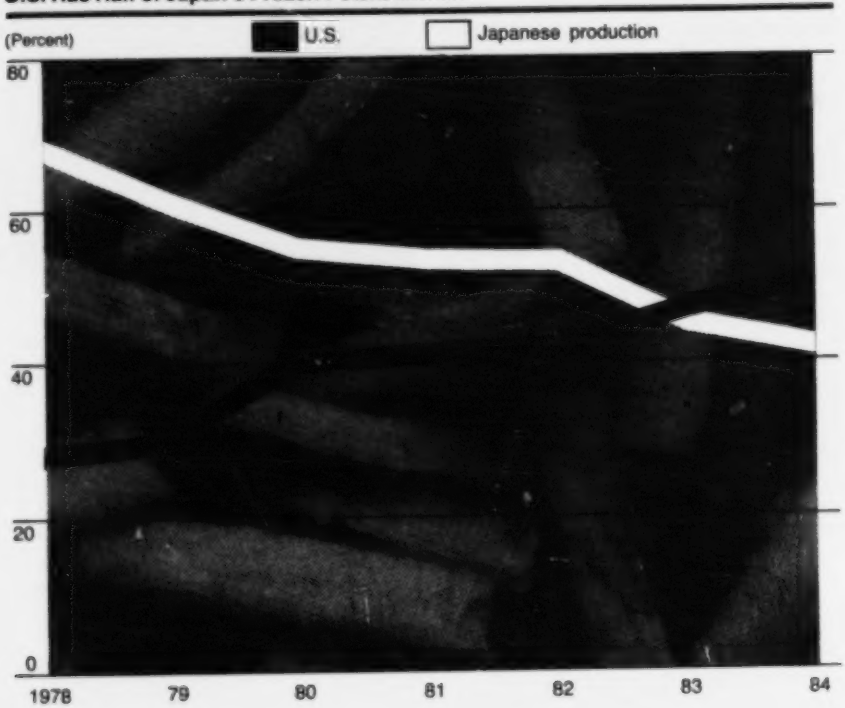
Nonetheless, exports of U.S. frozen potatoes to Japan should continue to grow dramatically in response to the twin demand of the food service industry for quality U.S. potatoes and the growing retail market. ■

The author is with the National Potato Promotion Board, Denver, Colorado. Tel. (303) 758-7783.

Seven Years of Sales Growth for U.S. Frozen Potatoes in Japan
(Metric tons)

Country	1978	1979	1980	1981	1982	1983	1984
U.S.	14,874	19,044	26,545	30,499	33,489	39,081	44,282
Canada	1,484	5,608	2,657	3,671	4,033	5,460	5,795
Others	46	49	nil	56	44	78	30
Total imports	**16,404**	**27,701**	**29,202**	**34,226**	**37,566**	**44,619**	**50,186**
Japanese production	35,796	38,661	26,009	40,115	42,825	37,466	37,134
Total market	**52,200**	**63,362**	**55,211**	**74,381**	**80,085**	**82,085**	**87,320**

U.S. Has Half of Japan's Frozen Potato Market.



U.S. Potted Plants Are Growing In Popularity in the U.K.

By W. Lynn Abbott

The British are recognized as great gardening enthusiasts the world over. Recently, their enthusiasm has taken on a new twist: interior landscaping. The trend is especially apparent in offices, restaurants and retail shops. Within this market is the potential for increased U.S. exports of larger sized foliage plants.

Fertile Market for U.S. Exports

The interior landscape market in the United Kingdom is especially accessible for exports from the United States. Of particular interest to the British are large (3-7 meter) specimens of woody tropical perennials, such as ficus benjamina.

While the market is not oriented toward desert-type plants, some large cacti have been gardened in Britain successfully. And the British are always interested in new species.

Continental European exports dominate the British market for smaller, tropical perennials. However, Dutch and Belgian greenhouse-grown foliage is not as desirable because it does not attain a true tree form. And U.K. production is limited to small potted plants.

Presently, the United Kingdom does not import deciduous trees for outdoor planting. U.K. and northern European nurseries already house most types of U.S. temperate stock.

New Cooperator Group Active in U.K.

The American Horticultural Marketing Council, which recently succeeded the Florida Nurserymen and Growers Association as an FAS cooperator, plans a significant marketing effort in the U.K. in the coming year.

The Council presented a one-day seminar at the National Garden Festival at Stoke-on-Trent in July. It will exhibit in London at IFTEX '86, a new international ornamental plant and flower trade show, in October.

The Council provides technical information to prospective buyers of large ornamental plants on their use and maintenance through technical manuals, seminars and video cassettes.

Foliage Exports Subject to Jet Lag

There are a few tips U.S. exporters of foliage plants should know about tackling the U.K. market. First of all, like any transatlantic passenger, plants suffer from jet lag. The large foliage plants exported from the United States are subjected to a 14-day transit across the Atlantic Ocean.

Subsequently, the plants require between three and 18 months to fully recover and accommodate to the light levels typical of the U.K. latitude. Careful "hardening" of U.S. plants destined for Britain is strongly recommended. Plants should be subjected to reduced light in the six months before shipping.

U.K. photosanitary requirements for potted plants are quite severe and necessitate special preparation for all plants intended for export to the United Kingdom. For more details, contact:

Plant Protection and Quarantine
Animal and Plant Health Inspection Service
U.S. Department of Agriculture
Federal Building
Hyattsville, MD 20705

Most U.K. plant importers have special shipping arrangements that must be adhered to. U.S. exporters need to discuss these directly with the importer. There is a 13-percent ad valorem duty imposed on all imports.

Following is a list of U.K. plant importers:

Acorn Nursery
Barrow Lane, Cheshunt
Hertfordshire, England EN7 5LL
Phone: 0992.27333
Telex: 883 766 ACORN
Contact: Alan Cornford

Gardenair Ltd.
Pitehouse Lane, Freshford
Near Bath, Avon, England BA3 6BJ
Phone: 022122.2655 or 2512
Telex: 449 053 PLANTS G
Contact: E.G. Walters

Paul Temple Ltd.
Temple Gardens, Holloway Lane
Hammondsworth, West Drayton
Middlesex, England UB7
Phone: 01.759 1437
Telex: 888080 AWAKE G
Contact: Paul Temple

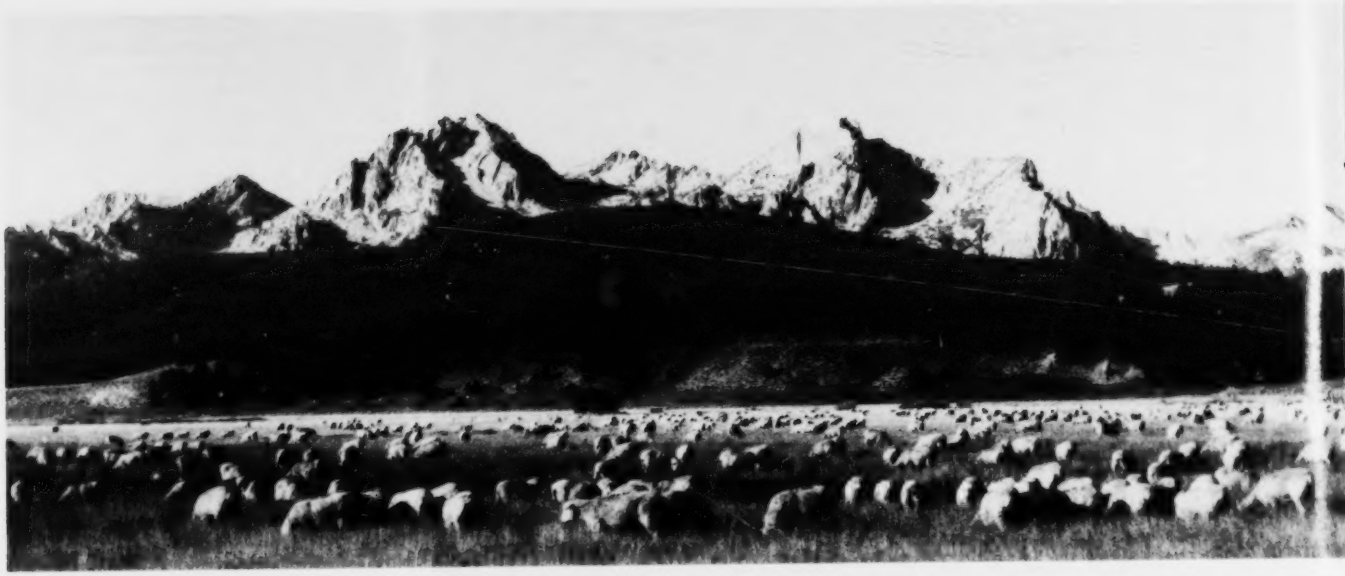
Findlay Clark Ltd.
Boclair Road
Milngavie, Glasgow
Scotland G62 6EP
Phone: 0360.207 21
Telex: 779 757
Contact: David N. Clark

Plants at Work
Fairhaven Nurseries
Olveston, Bristol, England BS12 3AB
Phone: 0454.414 370
Telex: 449 752 CHACOM G PAW
Contact: Frank Corrie

Stuart Low Co. (Enfield) Ltd.
Parkview Nurseries, Crews Hill
Enfield, England EN2 9BQ
Phone: 01.363 0104
Telex: 21903
Contact: Renato Canale

Until recently, the author was the U.S. agricultural trade officer, London. Tel. (011-44-1) 499-0024.

"West Is Best," Say WUSATA States To Foreign Buyers



By James Youde

When foreign importers are interested in buying U.S. agricultural products, twelve state departments of agriculture say "West Is Best."

Whether the product is mung beans, sheep, wine or wood, the twelve Western states—through their regional trade association, the Western United States Agricultural Trade Association (WUSATA)—are out to prove to overseas buyers that the West is the region with everything.

West Has Variety, Location To Offer

Western U.S. agriculture, with its wide diversity of climatic conditions, produces over 200 different crop and livestock commodities. Thousands of consumer items are derived from these commodities.

While bulk commodity exports are important to the West, this region also produces a wider range of specialty, high-value foods and beverages than any other region in the world.

Expanded efforts are needed to sell more of these high-value Western foods in export markets. The WUSATA region is stragetically located to respond to fast-growing consumer demands for specialty foods in Pacific Rim markets, including Japan, Korea, Hong Kong, Singapore, Taiwan and Malaysia.

The 12 departments of agriculture that form WUSATA's core membership are Alaska, American Samoa,[1] California, Colorado, Hawaii, Idaho, Montana, New Mexico, Oregon, Utah, Washington and Wyoming.

These states are in their seventh year of jointly promoting exports of food and agricultural products. Export market development programs are carried out through a four-way partnership. This partnership is among the directors of agriculture of the states, the Foreign Agricultural Service (FAS) of the U.S. Department of Agriculture, exporters and importers/distributors.

How the Partnership Works

The directors of agriculture from these states guide WUSATA as its board of directors. The states' marketing officials work closely with the WUSATA staff to design and carry out marketing programs.

As a cooperator of the Foreign Agricultural Service, WUSATA coordinates its activities with the agency's Export Program Division, commodity divisions and foreign-post personnel in markets around the world. FAS contributes market development funds to support WUSATA's export activities.

Western companies with products to sell and a commitment to market development are also part of the partnership. They participate in a variety of WUSATA activities, including food show exhibits, menu and retail store promotions, development of promotional materials and trade missions.

Importers, Distributors, Consumers—The Key Link

Importers, distributors and consumers in foreign markerts also are linked with the region's food suppliers for increased exports from the Western United States. WUSATA's vital role is to assist in bringing buyers and sellers together.

All the partners share a common goal: expansion of international food product trade. Some of the regional group's recent marketing successes have included:

[1] For purposes of this article, American Samoa, which is actually a territory, is grouped with the states under the general category of state.

—Ice cream to Malaysia. As part of a supermarket promotion, WUSATA helped introduce high-quality U.S. ice cream to a market where only ice milk was available. Five repeat orders have been filled by the new-to-export company.

—Mung beans to Denmark. In response to an inquiry from the U.S. agricultural counselor in Copenhagen, WUSATA found a U.S. supplier of mung beans. After the Danish buyer purchased a trial shipment that met quality standards, a commercial sale was made, even though the U.S. price was substantially higher than a foreign competitor with a lower quality product.

—Cornnuts to Europe. As a participant in WUSATA's Value-Added Product Promotion Program, a company selling toasted corn snacks has expanded its marketing efforts and sales to the United Kingdom, France and Italy.

—Grocery products to Japan. A Japanese importer/retailer was looking for a source of U.S. grocery products. A new-to-export West Coast grocery wholesaler was seeking foreign customers. WUSATA put these parties in contact, which has resulted in regular monthly shipments of 20- and 40-foot containerloads of high-value grocery items over the past year.

—Slaughter sheep to Mexico. A WUSATA sales team met with importers and distributors from Mexico to determine their needs for more sheep to slaughter for the barbacoa (barbecue) trade. As a result, over 25,000 sheep and 5,000 goats were sold to Mexico from the WUSATA region. These sales helped to double prices of slaughter ewes in the West.

How Does WUSATA Choose Projects?

In choosing its market development activities, WUSATA examines several criteria:

—Is there potential for expanding exports, especially for new-to-market products and companies?

—Is there an emphasis on value-added products?

—Does the project complement programs of WUSATA states and other FAS cooperators?

Some of the export development activities WUSATA will be working on during the coming months include:

—**NASDA Food and Agriculture Exposition in Seattle, April 29-May 1, 1987.** This event is a key opportunity for U.S. firms to display their products to foreign buyers in an attractive, cost-effective setting. WUSATA is assisting member states in recruiting Western exhibitors to this show.

—**Improving export capabilities.** Many companies in the WUSATA region have products that could be exported if slight adaptations were made to meet specific overseas market requirements.

In addition, the management of many of these companies needs to become familiar with the "how-to's" of exporting their products. Often, these firms need to be made aware of the value of making a long-term commitment to export market development.

WUSATA will continue to work with state marketing officials and industry representatives to upgrade the export capabilities of companies with interesting products.

—**Value-Added Promotion Program.** WUSATA and the other regional cooperators have undertaken this matching-funds program with companies willing to make three-year commitments to foreign market development. Numerous marketing successes have been scored by Western firms with value-added/processed foods during the life of the program.

—**Various overseas market development projects.** WUSATA will continue to devote its energies to specific foreign market development events, working closely with other FAS cooperators and Western food and beverage suppliers, on such activities as menu promotions in Southeast Asia, wine tastings in Tokyo and Seoul, processed food shows in Singapore, Korea, France and Japan, and health food displays in Japan and Southeast Asia.

After seven years of success, WUSATA will keep its focus on new export market opportunities, help committed suppliers adapt their products and marketing plans in response to promising overseas opportunities, meet international and cost-effective market promotion and identify trade barriers that hinder the U.S. ability to compete on even terms with other suppliers.

In these ways, exports from the Western United States can be expanded, helping return profitability to farmers, food processors and marketing firms in the WUSATA region. ■

The author is executive director of the Western United States Agricultural Trade Association, Vancouver, Wash. Tel. (206) 574-2627.

Middle East Poultry Market Moving Toward Self-Sufficiency

By Leonidas Bill Emerson

Domestic production is rapidly replacing foreign supplies of broilers and eggs in the Middle East[1], the world's leading poultry import market.

Last year, Middle Eastern countries imported $400 million worth of poultry meat and $90 million worth of eggs. Poultry imports were down 7 percent and egg imports, 21 percent from calendar year 1984.

Plummeting oil revenues are reducing demand for all imported food, including poultry meat and eggs. Reduced incomes, coupled with this departure of expatriate oil field workers and service personnel, are expected to lead to a continued reduction in import demand.

Consequently, broiler purchases from the world's leading exporters—Brazil, France, the United States and Hungary—are stagnating or declining and price competition is keen.

However, consumption shifts and reduced local production subsidies may temper the downward turn in poultry and egg imports. Falling incomes are forcing many consumers to shift from red meats to relatively lower priced poultry products. In addition, cuts in poultry production subsidies by several Middle Eastern countries may slow the move to self-sufficiency in poultry production.

While the outlook for sales of poultry meat and eggs to the region appears to be declining, these countries will continue to be important markets for commodities such as grains, oilseeds, tallow and protein concentrates.

Here is a look at the poultry export prospects in some major Middle Eastern markets.

Egypt

Egypt's main sources of foreign exchange—oil exports, workers' remittances, tourism and Suez Canal tariffs—are all diminishing. Because of a

foreign exchange shortage and reduced government revenue, Egypt is moving more toward private sector importing.

However, the adjustment from subsidized public sector imports to free-market prices will be difficult. Although the government is committed to getting out of the market, it must find a way to eliminate subsidies without causing severe food shortages.

Production of eggs and broilers—regular staples of low-income Egyptian diets—is dependent upon imported corn because local corn is scarce and expensive. However, government plans to eliminate feed subsidies make it likely that the price of imported corn will rise.

In early 1986, chicken prices rose sharply, reflecting the expectation of reduced feed subsidies, as well as rising demand, inflation and economic instability.

Until the government is completely out of the feed supply market, no new facilities are being built and production and consumption probably will remain static.

The trade outlook is uncertain and market disruptions are possible as Egypt moves toward a free market.

U.S. poultry exports to Egypt have been boosted by the Export Enhancement Program. Under the program, 23,000 tons of U.S. poultry were sold to Egypt earlier this year with the assistance of Commodity Credit Corporation bonuses to U.S. exporters.

Last year, the United States sold 2,220 tons of poultry meat to Egypt compared to the 1984 level of 911 tons.

Iraq

The problems of the Iraq-Iran conflict and falling oil prices have made Iraq very price sensitive. The government must continue to keep consumers well fed but it can no longer afford to pay a premium for quality.

The drop in oil prices, upon which the Iraqi economy is based, has forced the government to ration foreign exchange.

Chicken, beef and dairy cattle are currently a number one import priority. But all import purchases must be approved by a government committee to assure that they represent the best combination of price and credit offers from all available suppliers.

Poultry production in Iraq has continued to expand despite periodic shortages of feed, veterinary supplies, fertile eggs and poults and slaughterhouse delays.

[1] In this article, Middle East refers to the countries of Bahrain, Egypt, Iraq, Kuwait, Saudi Arabia, Turkey and the United Arab Emirates.

When the hostilities end, Iraq should be in a good position to expand poultry production and to increase imports of grains and protein concentrates.

Although production prospects are difficult to forecast, most traders expect production to continue to rise 5-10 percent annually.

Turkey

The Turkish economy is benefiting from lower oil import prices and an opening of its economy to foreign investment. European and Japanese investors view Turkey as having excellent agricultural production potential and as being in a key location for foreign trade.

Capitalizing on its strategic location and low corn prices, Turkish poultry firms are expanding egg production and exports to nearby markets. Turkey has always supplied some eggs to Iraq, Iran and Syria, but now is gearing up for large volume, high-quality egg shipments to these and more distant markets.

Turkish egg producers have formed politically powerful market development associations to handle grading and exporting. These organizations work to assure quality control and to boost domestic consumption as well as exports.

Saudi Arabia

The Saudi broiler market is rapidly becoming self-sufficient and the egg market suffers from overproduction.

The broiler and egg output gains are the result of enormous production subsidies. However, these subsidies—50 percent of feed costs, interest-free loans which are often turned into free grants, low-cost water, etc.—are expected to be partially eliminated in 1986/87 to reduce budget expenditures. The government is expected to continue to protect the domestic market by raising import duties or suspending import licenses.

About 80 percent of Saudi Arabia's whole bird imports are from France, the rest from Brazil. All chicken parts come from the United States. Broiler meat imports are all lower priced frozen birds for the expatriate market.

Self-sufficiency in the broiler market is forecast in three to five years. Frozen broiler imports are expected to drop from 50,000 tons in 1984 to zero by 1990. The Saudis already are exporting small quantities of fresh broilers and are expected to boost exports substantially in the near future.

Egg production also is expected to continue to rise, although at a more gradual rate than previously. The Saudis are expected to boost their egg exports throughout the Gulf.

Bahrain, Kuwait and United Arab Emirates

The Persian Gulf countries of Bahrain, Kuwait and the United Arab Emirates are beginning to feel the economic impact of lower priced oil on their export earnings.

The Gulf markets are still quality conscious, but not as extravagant as they were in the recent past.

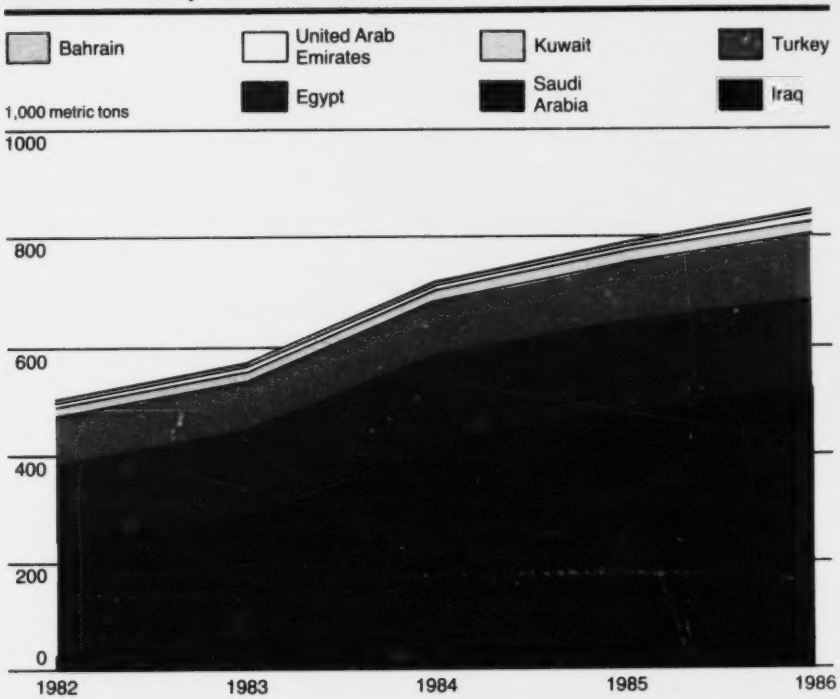
These countries tend to be low-volume markets because of their small populations and because of the rapid exodus of the expatriate population.

The United Arab Emirates (UAE) is the exception. The UAE imports and exports a high volume of goods since it often serves as an offloading port and distribution center for the neighboring Gulf countries of Oman, Qatar, Bahrain, Saudi Arabia and Kuwait. In addition, much of Iran's imports are transshipped from the UAE.

All of the Gulf countries are expanding poultry production because of the ready market outlet and the ease of production. These nations are expected to be self-sufficient in poultry production in two to four years. ■

The author is with the Dairy, Livestock and Poultry Division, FAS. Tel. (202) 447-7867.

Middle East Poultry Meat Production Continues To Rise Dramatically



Country Briefs

Japan

Import Demand for Forage Increasing Steadily

Japan's import demand for forage crops has been increasing steadily, partially in response to growing animal numbers, particularly beef cattle, and partially because of unstable domestic production. The U.S. share of the import market rose to 60 percent in 1985 from the previous year's 56 percent.

Imports of hay cubes are rapidly approaching 500,000 metric tons a year. Japanese farmers now recognize that hay cubes contain high nutrition and fiber and are better feed than beet pulp or rice straw. Imports of baled hay are also increasing because timothy hay is being fed not only to racehorses, but also to cattle. Although not necessarily related to nutritional value, Japanese farmers consider it very important that hay have a bright green color.

While U.S. cubed and baled forages are not necessarily price competitive in the Japanese market, no other suppliers can compete with the United States in terms of stable supply, reliable shipping schedule and container availability. The opening of California sites for fumigation makes U.S. hay available to the Japanese market year round with minimum chance for plant quarantine rejection. Generally, the Japanese trade contracts April-October shipments of California-origin first, then November-December shipments from the Pacific Northwest, followed by January-March shipments of Canadian-origin, all in the quest for bright green hay products.—*Bryant Wadsworth, U.S. Agricultural Counselor, Tokyo.*

Korea

Wheat Erodes U.S. Share Of Feed Grain Market

Korea's traditional reliance on corn for the bulk of its feed grain imports began to shift dramatically in 1983. Although a conscious desire to diversify grain imports, both in terms of origin and type, may have played a role in this change, a larger factor appears to have been the availability of large amounts of relatively inexpensive Australian wheat.

From an insignificant role in the total feed picture in 1982, feed wheat had captured more than one-fifth of Korea's feed grain import market by 1985. This year, the entry of European Community feed wheat has intensified the already strong competition in the Korean market between Australian and Canadian feed wheat, U.S. and Thai corn, and Thai manioc. As a result, during the first 15 weeks of 1986, the U.S. share of the Korean feed grain market fell to approximately 16 percent of total purchases, compared with 36 percent in 1985 and 99 percent in 1982.—*Daniel Conable, U.S. Agricultural Counselor, Seoul.*

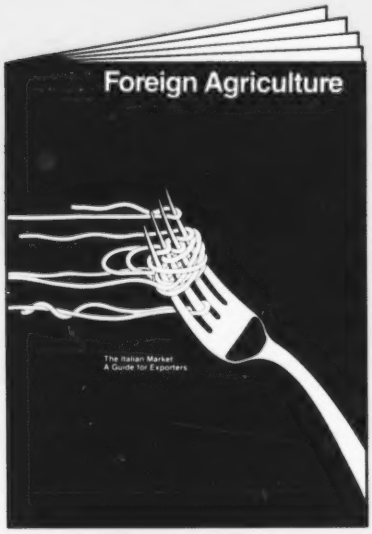
Singapore

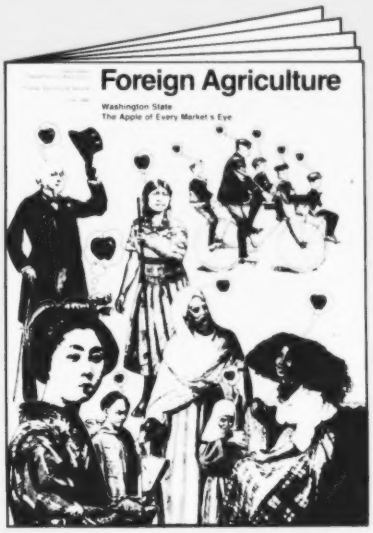
Plans for Dairy Herd Create Sales Opportunities

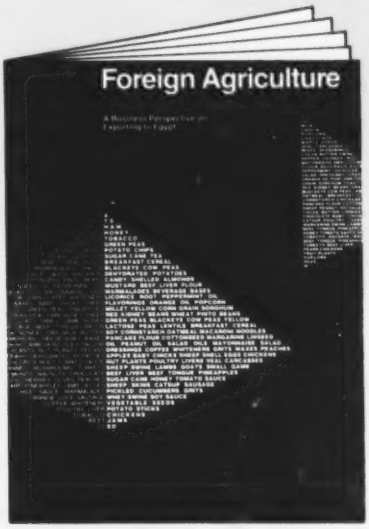
Singapore plans to begin production of fluid milk within the next year, and the establishment of a dairy herd could create sales opportunities for U.S. dairy animals. The dairy herd envisioned will consist of 500 animals. However, the project will begin with the selection of a small number of dairy animals—perhaps no more than six—to be imported from the United States, Australia and Europe. The animals will be tested and monitored, after which a decision will be made on the source for more stock purchases.

The dairy project is part of Singapore's overall scheme to concentrate on high-tech agriculture, including ornamental fish, commercial fish farming, plant breeding, breeding of exotic captive birds and research into animal genetics.

Currently, all of Singapore's fluid milk is imported from Australia. Because of the high price, many Singaporeans use whole milk powder, condensed millk or other such products to prepare their own milk.—*Peter O. Kurz, U.S. Agricultural Trade Officer, Singapore.*







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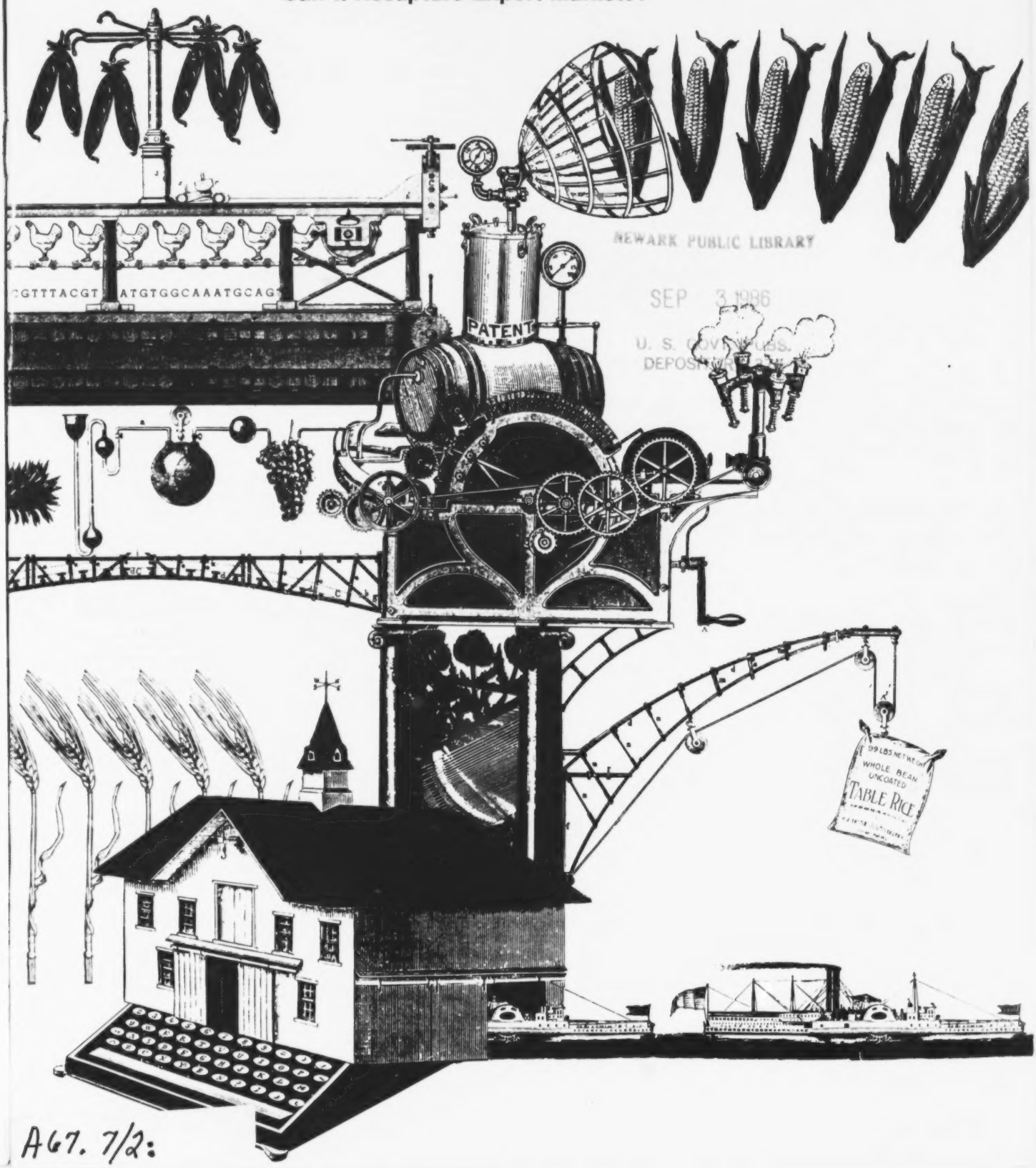
Foreign Agriculture

Agricultural Technology: Can It Recapture Export Markets?



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Marketing News

Michigan Department of Agriculture Opens Hong Kong Office

Enhancing trade opportunities for Michigan food and agricultural products is the focus of the **Michigan Department of Agriculture's** new Asian office, which opened in Hong Kong on June 27. Ming Wu, of the Michigan Agricultural Development Division, has been named the director of the office, which is located at 1115 Connaught Centre, Hong Kong. Tel. 5-244132.

The office will cover Hong Kong, India, Indonesia, Japan, Korea, Malaysia, Nepal, China, the Philippines, Singapore, Taiwan and Thailand. "The Asian market, where the largest percentage of the world's population lives, offers the greatest potential for growth in sales of Michigan's food and agriculture products," said Paul E. Kindinger, director of Michigan's Department of Agriculture. "Our Asian office will give Michigan a significant competitive advantage for increasing market opportunities."

Duties of the office will include gathering information on trade opportunities and new businesses, providing label clearance and ingredient verification services, compiling importer directories and displaying Michigan products.

"The office will be a one-stop center for foreign importers seeking Michigan products and investment," said Randy Harmson, director of the state's Agricultural Development Division.

Feed Grain Council Makes Inroads in Middle East

The **U.S. Feed Grains Council** has been hard at work promoting purchasing activities in the Middle East, where growth in feed grain sales has been discouraging. Last spring, the Council's trade servicing department sponsored educational projects in Egypt and Turkey to help private buyers in those countries purchase U.S. grains. The seminars were well attended by host government and private sector representatives. Co-sponsors included the government buying agencies in each country, USDA and the Food and Agriculture Organization of the United Nations.

Both Egypt and Turkey are in need of educational programs for new traders. The seminars were designed to teach the techniques of trading and the workings of the U.S. trading system. Seminar topics included grain standards, rodent and insect control, USDA credit programs and the world supply and demand outlook. Ken Stephens, the Council's director of trade servicing, presented a paper on changes in U.S. legislation and policy and their effect on world grain prices.

Because importers in both countries will be buying grain in the near future, the skills taught in these seminars should translate directly into increased sales of U.S. grain in these countries.

ATO/Singapore Planning Fruit Promotion With McDonald's

The **Agricultural Trade Office in Singapore** is planning a breakfast fruit promotion in cooperation with McDonald's in Singapore later this fall. The trade office also is coordinating its efforts with the Singapore representatives of Sunkist and the Washington State Apple Commission for this program. Each customer purchasing a breakfast plate will be given the choice of one U.S. fruit: an apple, an orange or a plum. The restaurant group serves 110,000 breakfasts per month.

Construction Directory To Be Published in China

A directory aimed at the 400,000 people who select equipment and materials for China's construction industry is due for release next year in Hong Kong. This directory, to be updated annually, will provide information to the Chinese construction industry on overseas companies and their products. For further information, contact Michael Humphrey, U.S. Agricultural Officer, American Consulate General, Hong Kong, Box 30, FPO San Francisco, CA 96659. Tel. (011-852-5) 239-011.

The Magazine for Business Firms Selling U.S. Farm Products Overseas

Published by
U.S. Department of Agriculture
Foreign Agricultural Service

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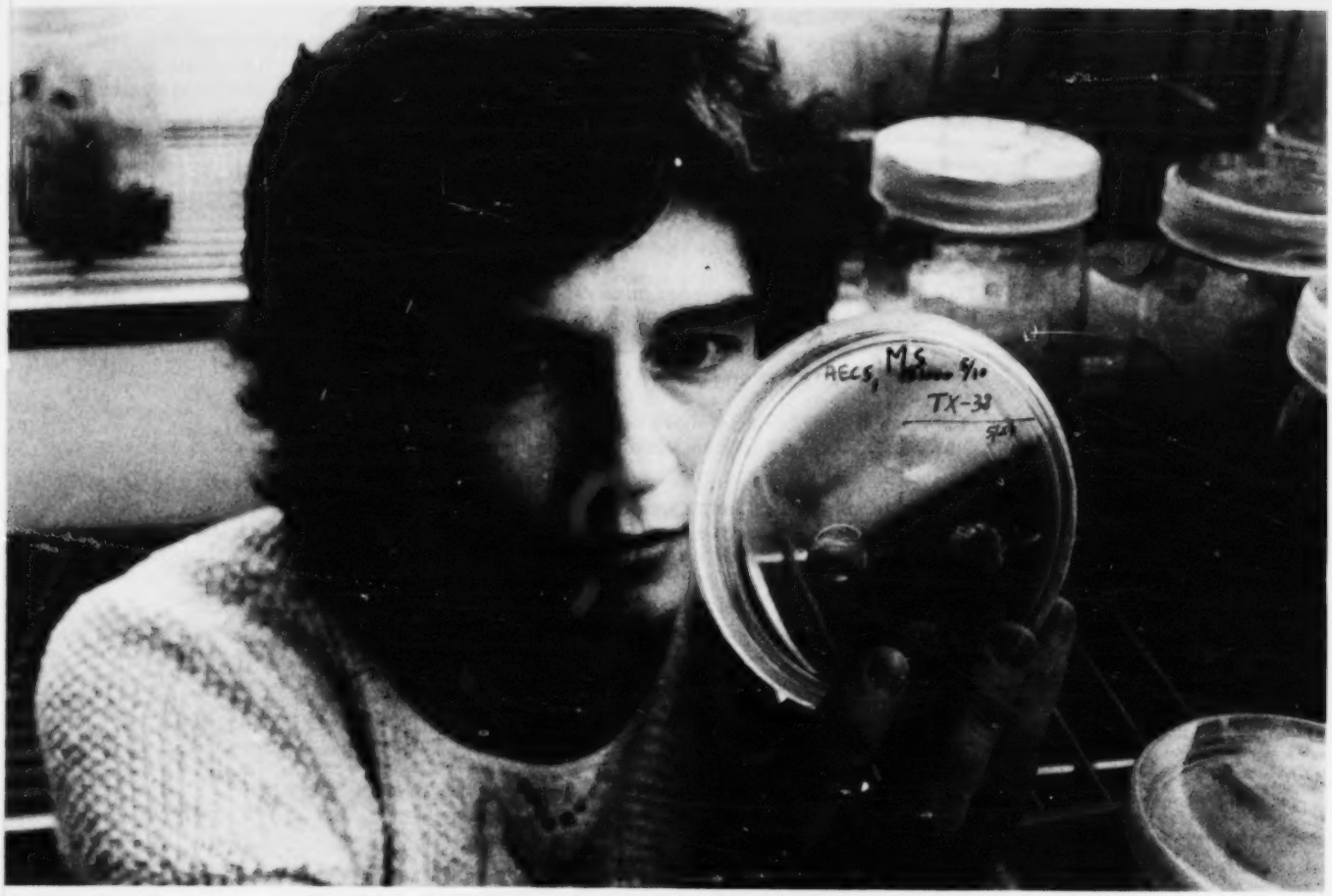
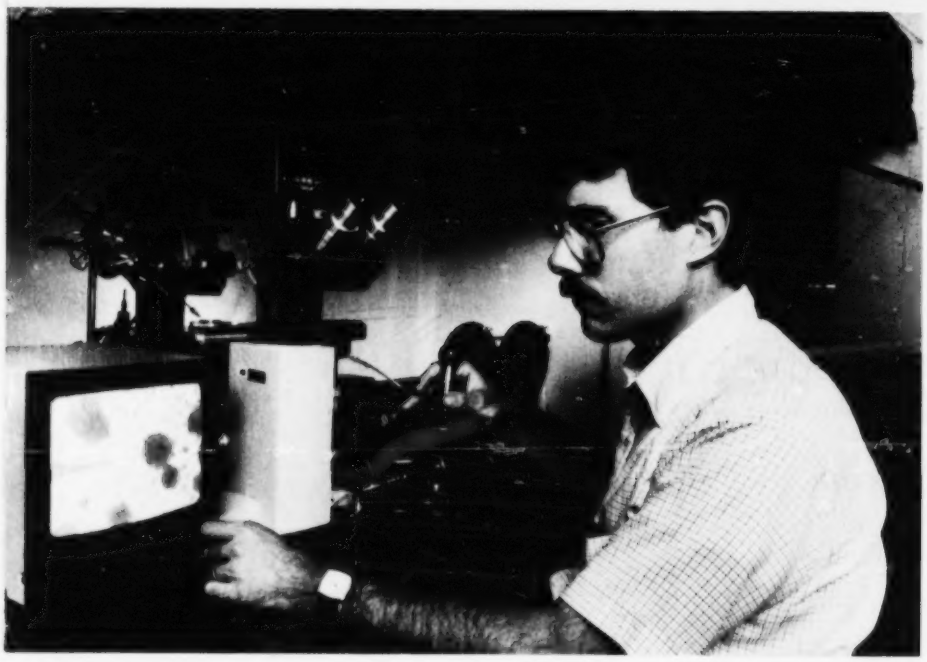
Agricultural Technology—Can It Recapture Export Markets?





By Thomas J. Buhler

U.S. agriculture may have found a knight in shining armor in the form of the scientist's white smock. A recently released study[1] from the U.S. Congress says agricultural technology currently being developed by U.S. researchers will play a big role in recapturing export markets.

Dr. Michael Phillips of the Congressional Office of Technology Assessment, who directed the two-year study, equates new developments in agricultural sciences with two previous breakthroughs: The invention of the tractor and the development of farm chemicals.

[1] "Technology, Public Policy, and the Changing Structure of American Agriculture." Copies of the full report can be purchased for $13 each from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. GPO Stock No. 052-003-01018-6.

Like those developments, the technological revolution will mean greater production of higher quality products at lower costs, Phillips says, and lower costs are crucial to international competition.

Yield Increases Are the Key

About 83 percent of the estimated 1.8-percent annual increase in agricultural production needed to meet world demand by the year 2000 must come from increases in yields—yields made possible through the adoption of emerging technologies.

Throughout the remainder of this century, U.S. farmers will be offered an array of biological and informational technology that could revolutionize animal and plant production.

Biotechnology includes gene insertion, the use of micro-organisms in the production of protein and embryo transfer. Information technology involves the use of computers to monitor crops and livestock, and to obtain helpful information for farm management.

The technology of micro-organisms in protein production is already well advanced. In fact, the Congressional study predicts that within three years many dairy farmers will be using a growth hormone developed through manipulation of the DNA molecule to increase milk production dramatically.

Largely as a result of this product, the study predicts, milk production will increase from an average of 12,000 pounds per cow in 1982 to over 24,000 pounds by the year 2000.

Other products developed through this method can be used for prevention and detection of disease. Vaccines produced by recombinant DNA are being tested for foot-and-mouth disease, swine dysentery and coccidiosis in poultry.

Genetic Work Plays Major Role

Even greater impact on agricultural production may result from the use of gene transfer. This process allows scientists to obtain the effects of breeding by combining genetic traits in the laboratory. The product then transfers these traits to its offspring, resulting in plants and animals that exhibit greater production, disease resistance and desirability. For instance, scientists are working on an all white-meat chicken and a cholesterol-free steak.

Another technique called genetic modification could be the most dramatic new technology of all. This process allows the introduction of desirable traits from one plant species into a completely different type of plant.

For instance, it is possible to insert the genes that encode photosynthetic proteins in pea plants into petunias. Once again, the result is a healthier, more abundant output.

Gains Seen in Information Management

According to the study, new technology will also provide farmers with big breakthroughs in the area of information management. Through the use of computers, machines will identify individual animals electronically, automatically mix a ration of feed designed especially for that animal, and monitor the animal's weight gain. The result is increased production at a lower cost.

Computers will provide livestock producers access to a wealth of additional information on each animal as well, including production records, breeding dates, number of offspring and dates of diseases. This data will give farmers the information needed to increase farm efficiency by culling more effectively.

Techniques Enhance Crop Production

Information technology also will bring greater efficiency in crop production. Computers hooked into larger off-farm data bases will give farmers access to information on pest incidence and control, using less pesticide.

Electronic sensors connected to a central computer and buried in the soil will improve irrigation systems by determining evaporation rates, salinity levels and runoff. Other sensors attached to farm equipment will control the application of chemicals by adjusting the rate of spray to compensate for slippage of tractor tires traveling over rough terrain.

All of the new technologies have a common effect. They will allow U.S. farmers to compete more effectively against countries that enjoy lower production costs due to cheaper labor or superior natural resources.

With new technology, Phillips says, the owner of a large wheat operation in Kansas, for example, ". . .is going to be very hard to beat no matter where you place him in the international market." And that is true for large, progressive producers of most other major commodities as well.

Farm Structure May Change

But Phillips also warns of major structural changes in U.S. agriculture as a result of new technology. For the most part, large operations will be the first to implement the new techniques and the first to reap the benefits. Lags in technology adaptation and higher costs will prevent many small- and medium-sized farms from following suit.

As a result, the study predicts that in the next 15 years, many medium-sized farms (those with sales of $100,000 to $250,000) will go out of business while the number of large farms with sales of $250,000 or more will increase threefold. The proportion of small subsistence and hobby-sized farms should remain about the same.

According to the study, by the year 2000, the nation's 50,000 largest farmers will produce 75 percent of all the food and fiber grown in the United States, compared with just under 50 percent today. They will control 60 percent of all arable land as well.

Large-Scale Farmers Profit Most

Phillips says new farm technology will have its biggest impact on sectors with large economies of scale. Sectors like dairy, corn and wheat receive a relatively high payoff per unit of investment on operations. That gives these farms the biggest economic incentive to incorporate new technology quickly, leaving their smaller sized counterparts behind.

If people want to see medium-sized farms survive, along with the rural communities they support, the study says new federal policies will need to be created. It goes on to outline possible policy adjustments directed toward each class of farm operation: large, medium and small.

Some of the report's suggestions on policies toward large farms are as follows:

—Eliminate direct government payments. Large-scale farmers do not need direct government payments or subsidies to survive.

—Expand international development assistance programs to increase economic growth in developing countries and create future markets for U.S. exports.

—Maintain balanced macroeconomic policies to facilitate exports (by controlling the value of the dollar) and a low real rate of interest.

Policy suggestions directed toward moderate-sized farms include:

—Provide income protection through either the current target-price program or through the use of a device known as a marketing loan which allows the holder of a commodity loan to pay back the lesser of the loan value or the market price of the commodity.

—Provide educational programs on such risk-reducing techniques as hedging, forward contracting and cooperative marketing.

—Direct the Extension Services toward moderate-sized farmers when providing technological services to ensure simultaneous adoption of new technologies with large-sized operators.

Whether these policies are instituted or not, the study predicts a drop in the number of medium-sized farm operations. There is an opportunity then for the government to create a smoother transition for those farmers going out of business. Actions suggested include:

—Explore new opportunities within agriculture as the industry changes and develops.

—Establish financial assistance similar to the G.I. bill to help displaced farmers while they learn new skills.

—Provide job training programs in those areas where employment opportunities are growing, including education, health care and care for the aged.

The technological revolution is underway, says Phillips, and should be encouraged. New developments in agricultural science can help the United States regain lost export markets.

But these new developments also will create major structural changes that may be damaging if not accompanied by new Federal policies. Phillips says we can have international success and moderate-sized farms as well, if we are willing to pay the price. ■

The author is with the Export Credits Division, FAS. Tel. (202) 382-9219.

New Agricultural Technologies

Here are just a few examples of the ways in which agricultural technology is helping to make U.S. agriculture more competitive.

Protein production: Once obtainable only from animal and human organs, micro-organisms like hormones, enzymes and amino acids can now be produced more economically through biogenetics. These biological products are used for detection, prevention and treatment of diseases and for increasing animal production efficiency through growth hormones.

Gene insertion: Genes for desirable traits such as growth or disease resistance are injected directly into either of the two pronuclei of a fertilized egg, allowing future generations to be endowed permanently with these traits.

Embryo transfer: A superior animal that has been injected with a hormone to stimulate the production of more than the normal number of eggs per ovulation is artificially inseminated. The resulting embryos are removed nonsurgically for implantation into surrogate mothers who carry the offspring to term. Prior to implantation, the embryos can be sexed, split (to form twins), fused with embryos of other animal species or frozen in liquid nitrogen and stored.

Plant propagation: Cell culture methods for regeneration of intact plants from single cell or tissue explants will be used routinely for propagation of vegetable, ornamental and tree species. These methods can provide large numbers of genetically identical, disease-free plants with superior growth and more uniformity than seed-grown plants.

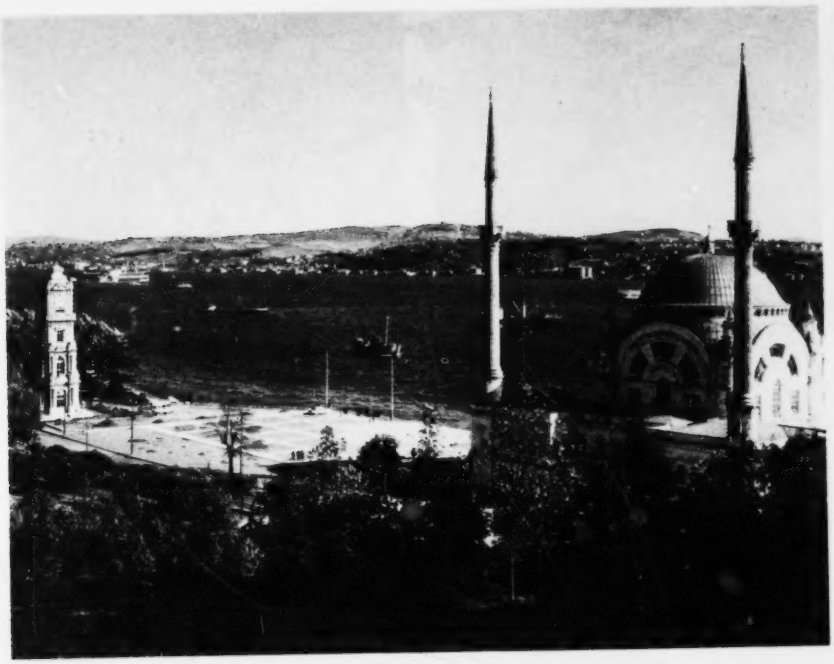
Genetic modification: DNA materials carrying desirable traits such as storage of protein can be taken from one plant and introduced into another.

Electronic animal identification: An electronic device called a transponder will be affixed to farm animals at birth, allowing computers to identify the animal and provide feed rations mixed for it automatically.

Irrigation control systems: A network of sensors with radio links to a central computer is buried in irrigated fields sending information on soil percolation, moisture levels and runoff rates. The computer allocates varied amounts of water to different portions of the field, based on this information.

Radar and computers: By integrating tractor slippage and chemical flow, computerized radar systems will allow fertilizers, pesticides and plant regulators to be applied more efficiently.

Turkey's Liberalized Policies Open Doors for Imports



By Abraham Avidor

In recent years, Turkey's civilian government has greatly liberalized the country's trade policies and regulations, in line with its overall market-oriented approach.

For the nation's agriculture, the simplified import measures have mostly entailed removal of all import bans and duty reductions on bulk commodities. These moves, started in early 1984, are primarily intended to control domestic inflation and support exports of value-added products. Turkey's continuing currency devaluation also has helped spur overall export growth.

Turkey's current five-year plan aims at enhancing value-added exports, thus reducing those of bulk commodities. To achieve this goal, present trends in import liberalization of bulk commodities and currency devaluation are expected to continue.

At competitive export prices, this could provide opportunities for U.S. bulk commodity exports, and for U.S. exports meeting the growing needs of the Turkish poultry and livestock sectors.

U.S. Exports to Turkey Rebounding

With the aid of export credits, U.S. farm exports to Turkey surged to a record $283 million in calendar 1984, with wheat ($139 million), barley ($64 million), corn ($28 million), soybeans ($13 million) and tallow ($12 million) the principal products.

In 1985, U.S. agricultural exports to Turkey dropped sharply to $62 million, with most of the decline occurring in wheat which fell to only $16 million. The falloff reflected uncompetitive U.S. wheat export prices, large purchases from Argentina and, to a lesser extent, from France and the strong value of the dollar.

Turkey's recent import decisions indicate that it is price conscious and that credit alone does not assure purchases from the United States. In fact, Turkey did not utilize about 90 percent of the $183 million in export credit guarantees available to it in fiscal 1985.

For 1986, U.S. agricultural exports to Turkey are turning upward again. In fact, for the first five months of the year, export sales to Turkey surpassed the 1985 total by nearly 30 percent.

With the announcement of an Export Enhancement Program (EEP) in October 1985, Turkey was able to buy 500,000 metric tons of wheat at competitive prices.

An additional 500,000 tons of wheat were announced under the EEP in May 1986, allowing Turkey to continue purchasing wheat from the United States at favorable prices. These purchases have been supported with credit guarantees from the GSM-102 program.

An EEP for 5,000 head of dairy cattle was announced in April of this year. As a result, a Turkish livestock team visited the United States in early July. The team expressed interest in buying up to 30,000 head of U.S. dairy cattle over the next three years.

So far in 1986, some $142 million in GSM-102 export credit guarantees for Turkey have been announced, including $120 million for wheat, $12 million for corn, $5 million for tallow, $3 million for dairy cattle and $2 million for semen.

Dominated by oriental toabcco, U.S. farm imports from Turkey have risen in recent years. In calendar 1985, imports were valued at $213 million—mainly tobacco leaf ($172 million), dried apricots ($11 million) and filberts ($9 million).

Turkey is a major producer and exporter of filberts, cotton, pulses, oriental tobacco, raisins and apricots.

In the Middle East, North Africa and the European Community, where it benefits from a transportation cost advantage, Turkey competes with the United States in the export of cotton, pulses and dried fruit.

U.S. Export Potential

The potential for an across-the-board expansion of U.S. agricultural exports to Turkey is limited by Turkey's self-sufficiency in many agricultural products.

Therefore, future growth in U.S. agricultural exports to Turkey will depend primarily on price competitiveness, credit allocations, growth in Turkey's livestock and poultry sectors and fluctuations in Turkish wheat output.

Despite a considerable increase in soybean production in recent years, the country's rapidly rising feed requirements could eventually create greater demand for imports of U.S. corn, soybean meal and soybeans for crushing.

The expanding poultry sector is also creating an opportunity for increased exports of U.S. baby chicks. Turkey's growing livestock sector is receiving more government investment, thus accounting for the interest in importing U.S. cattle.

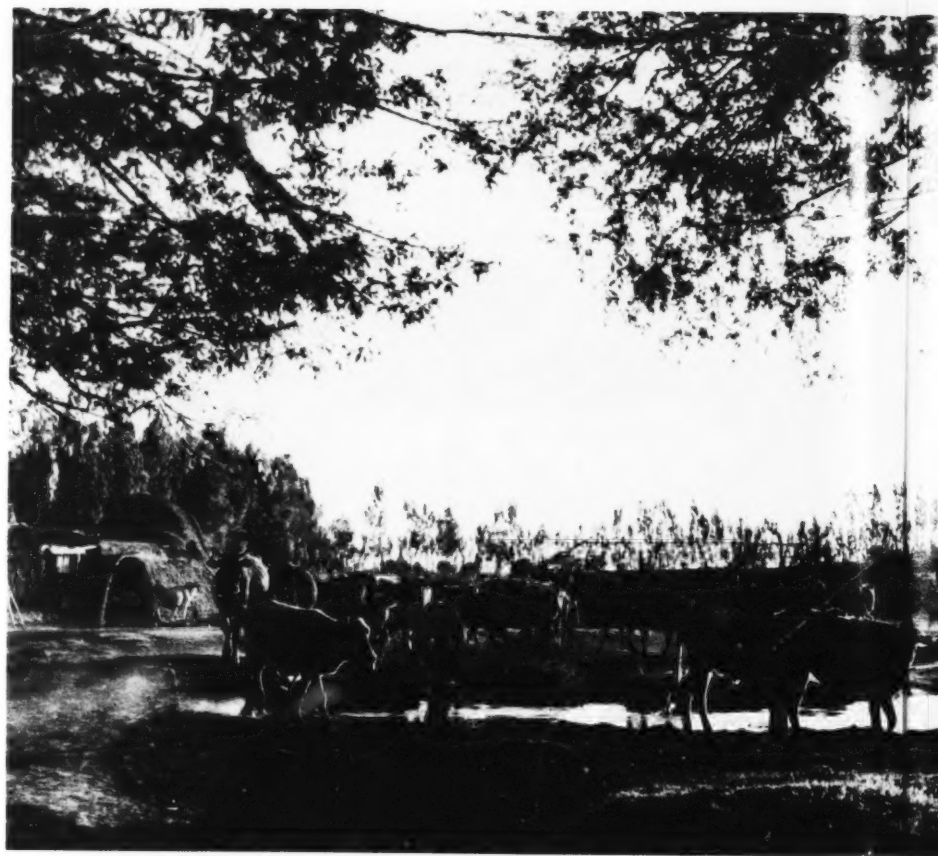
There is also a growing demand for vegetable oils, particularly soybean oil, a major ingredient for margarine production. Currently, Turkey is importing most of its soybean oil from Spain. At competitive prices, U.S. exporters of soybean and other vegetable oils could enter the Turkish market.

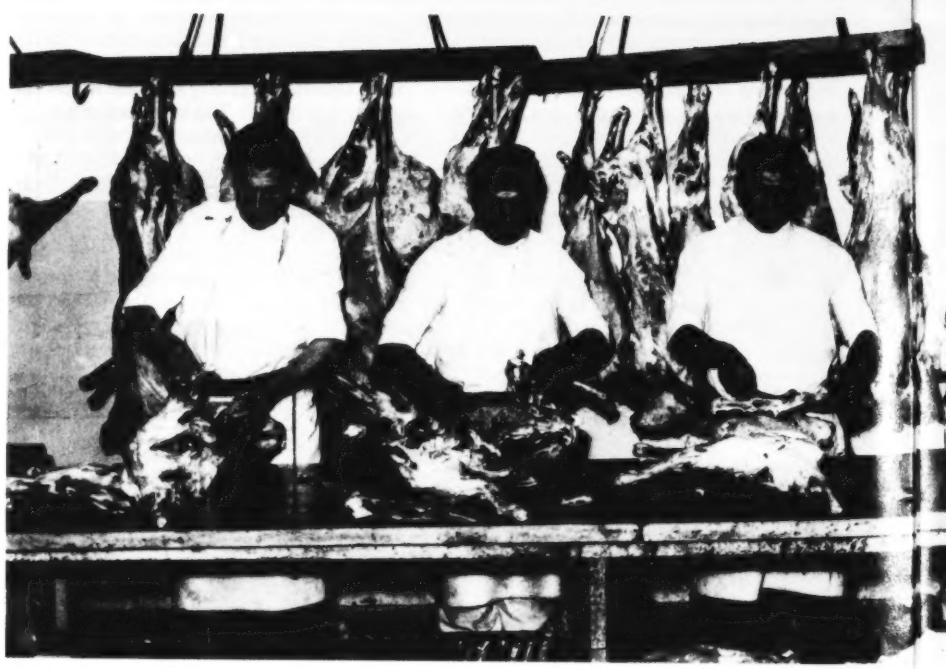
Turkey Reduces Its Tariffs

Turkey is a member of the General Agreement on Tariffs and Trade (GATT) and hence grants U.S. imports most-favored-nation treatment.

Turkey did not make tariff concessions in the Tokyo Round of the Multilateral Trade Negotiations, but in recent years has generally lowered its tariffs in accordance with its own annual import regime.

In 1985, tariff rates were eliminated on some bulk commodities used for further processing, such as corn, rice, soybeans, tallow and cotton. In addition, tariff rates were reduced on products in which Turkey is not self-sufficient. In early 1986, tariff rates were primarily reduced on processed foods, including meats and fruit.





In addition to customs duties, food imports are subject to import taxes. Despite its ongoing liberalization program, Turkey's tariff plus tax protection on some processed agricultural products has remained quite high.

Non-Tariff Measures Also Liberalized

Under Turkey's import regime, controlled agricultural imports are subject to specific import license or surtax, which often is quite high. All non-controlled goods can be imported freely by qualified importers following receipt of foreign exchange and payment of customs duties and taxes.

Under the revised 1985 import regime, all previoiusly banned agricultural items were made subject to licensing. In addition, the list of agricultural products under license was further reduced in 1986.

At present, this list mostly covers products of relatively new processing industries whose growth Turkey wishes to foster, such as certain meats and fruit and vegetable preparations.

The list of products subject to import surtax was enlarged this year. It presently consists of luxury goods and infant industry products deemed to require protection, including tropical fruits, cocoa products, meats, dairy products and vegetable oils.

In general, the degree of surtax protection appears to reflect market needs, commodity inflationary pressures and complaints from domestic industries.

Relatively unrestricted imports, such as many bulk commodities, are intended to moderate domestic price inflation and promote processed food exports while forcing local producers to become more competitive. ■

The author is with the International Trade Policy Division, FAS. Tel. (202) 382-9060.

California Is Top Exporting State

This is the first in an occasional series on major exporting states. The articles are adapted from materials distributed by the National Commission on Agricultural Trade and Export Policy, as well as USDA data.

California is now the top agricultural exporting state, shipping some $2.7 billion worth of agricultural products during fiscal year 1985.[1] This is the first time since state export shares were first estimated in 1964 that a state other than Illinois or Iowa has led the list of exporting states.

The reason behind California's leap from third largest exporter only a year earlier to the top of the list lies in the general trend in agricultural exporting. Agricultural export contributions of most states fell in fiscal 1985 as total U.S. agricultural exports declined in the wake of excess global production, lower prices for most bulk commodities and a strong dollar.

However, most of California's exports are of fruits, nuts and vegetables, which as a whole remained unchanged in value from a year earlier, pushing California to the top of the exporting list.

Focus on California's Variety

Agriculture is California's leading industry. The state's diverse geography and climate make it possible for California farmers to grow more than 200 different crop and livestock commodities for markets both at home and abroad.

Exports account for 15 percent of the state's total cash receipts from farm marketing.

Agricultural exports create thousands of jobs in California in such diverse areas as farming, freight forwarding, insurance, food processing, transportation and banking.

Fruits Are Top Export Item

Exports of fruits and fruit preparations head the list of California's exports. California accounts for 53 percent of total U.S. shipments of this product category. In fiscal 1985, these exports were valued at roughly $680 million dollars, about one-quarter of all of California's exports.

[1]October 1984-September 1985.

California's fruit exports include oranges, either fresh or as frozen concentrate and juice to consumers in Canada and the Far East; grapes; and California wine (primarily to Canada, the United Kingdom, Japan, West Germany, the Bahamas and Colombia).

California also accounts for 100 percent of U.S. shipments of apricots, dates, figs, kiwifruit, olives and prunes, virtually all avocados, roughly four-fifths of all peach and lemon exports, as well as a hearty share of tangerine, pear and grapefruit exports.

Tree Nuts Also a Major Export

Tree nuts were the second largest type of exports in fiscal 1985—$490 million worth. Almonds make up the largest nut category and in general, California's almond shipments account for 60 percent of the world's trade. Primary overseas markets for almonds include the European Community and Japan.

Along with almonds, California farmers produce virtually all of the U.S. pistachios and walnuts. European countries take the lion's share of walnuts, while pistachios are exported to both Europe and the Middle East.

Cotton Exports Still Strong

Cotton was California's third largest agricultural export, valued at $441 million. The state ranks as the second largest exporter of cotton, with roughly one of every five bales shipped abroad. Primary export markets for California cotton are the textile industries of Japan, Korea, Taiwan, Indonesia, Hong Kong and Thailand.

One reason for California's success as a cotton exporter is that valuable research and crop development efforts have been

largely devoted to improving one variety of cotton—acala cotton. As a result of technological improvements, acala cotton is extraordinarily productive and disease resistant. Consequently, foreign buyers look to California for cotton that is of *uniform fiber, length and spinning quality.*

The fourth major category of California exports is vegetables and preparations. Exports in this sector totaled just over $400 million. California farmers produce roughly 29 principal vegetable crops ranging from avocados to tomatoes. While tomatoes, lettuce and onions contribute the most to the state's cash receipts from exports, other commodities, such as broccoli and garlic, account for 90-100 *percent of U.S. export volumes for these* commodities.

California Leads All States As Top Exporter
(In billion dollars)

Rank	State	1985[1]	1984[1]
1	California	2.7	2.8
2	Iowa	2.5	3.3
3	Illinois	2.3	2.9
4	Texas	2.0	2.6
5	Nebraska	1.8	2.2
6	Kansas	1.7	2.2
7	Minnesota	1.6	2.1
8	North Dakota	1.3	1.9
9	Indiana	1.3	1.5
10	Ohio	1.1	1.3

[1]Fiscal year data.

California is also a major exporter of many other agricultural products, including wheat and rice ($156 million and $113 million, respectively,) and seeds. In addition, timber and wood products, primarily paper, paperboard and related products, account for a hefty portion of the state's export activity. Principal markets include Japan, Korea, Mexico and Taiwan.

California Is Promotion-Minded

In 1983, California's state legislature created the California State World Trade Commission to improve the promotion of the state's products in overseas markets.

This Commission, along with the California Department of Food and Agriculture, promotes California exports in a variety of ways, including participation in major agricultural export events such as the Foodex Exhibition in Tokyo.

In addition, the state provides technical assistance to agricultural exporters at every phase of the export process, whether it is on transportation, foreign restrictions on products or legal aspects of international trade. ■

Export Companies Can Help Expand Foreign Sales

Export management companies (EMC) or export trading companies (ETC) can help domestic companies expand exports in a number of ways.

Traditionally, the export management company, as the name implies, managed exports for other companies and did not take title to goods or trade on its own account.

The EMC acted as the export department for another company, taking over most of the technical export responsibilities. The EMC found buyers in foreign markets, negotiated the sale including delivery and payment terms, prepared export documentation, handled document transmittal, collected from the buyer and remitted funds to the supplier.

The EMC usually was paid commission but may also have received a salary, a retainer plus commission, or other compensation negotiated in advance with the supplier. Payment risk and title, however, usually remained with the supplier.

In exporting food products, EMC commission arrangements are declining and account for only a small percentage of sales. Both suppliers and exporters now prefer that the EMC take title to goods and accept the accompanying risks.

ETCs Provide Many Services

Today's export trading companies are characterized as principals in the export of goods and services. They purchase products from suppliers, export the product and collect from buyers. They conduct all export-related activities plus assume title and payment risk. Compensation for their services comes from the difference between their buying and selling prices.

Most food-related export companies are small, with revenues under $10 million and fewer than 20 employees. Even so, they provide a wide range of export services. Their major contribution to the export process is long experience in international trade, and many contacts with potential foreign buyers.

A typical export company has been in business for 15 to 20 years, and has principal traders with more than 20 years' experience. It is common for a small export company to have contacts with 100 or more foreign buyers, and purchase products from 20 to 80 sources. Larger companies may sell to more than 200 buyers.

While export companies may be located anywhere, most are concentrated at port cities. Fresh fruit and vegetable exporters are concentrated near production areas to facilitate grower contact and to inspect produce.

Export companies seldom conduct formal market development. They rely on experience and extensive contacts with foreign buyers to test new products.

Many export companies avoid products requiring long-term development or much training or consulting on how to handle, process or use them.

Regional Focus Is Common

Most export companies concentrate their trade in a few regions. This regional focus usually arises from how exporters establish markets. Export companies with regional marketing rights to a major branded product emphasize complementary products in those same markets. Buyers encourage this by asking exporters handling the branded product to supply it with other products. This also saves on transaction and transportation costs.

Export companies are most interested in high-quality, nationally advertised products because of the foreign demand for advertised products.

Most companies prefer exclusive rights to export a product. This may free the exporter from cut-throat price competition that may otherwise occur. If a product requires much market development, the exporter may require exclusive rights to protect against the high cost of developing sales. Marketing agreements of one to three years are common.

Exporters usually acquire goods from the supplier much as they would in a domestic sale. The exporter takes title to the goods, prepares documentation and ships to the foreign buyer. The exporter assumes risk of collections and may provide short-term financing.

Export Companies Handle Many Agricultural Products

Although export companies usually specialize in a few related products, they may also deal in a large number of different items. In the food and agriculture sector, exporting companies specialize in three major areas: processed food products; fresh fruits; vegetables and nuts; and bulk grains, oilseeds and related products.

Processed Food Products

Processed food product companies are the largest group. Their expertise lies in exporting products in consumer-ready packages for retail sales and in institutional food service products.

This group of companies prefers well-established branded consumer products. Foreign buyers with access to U.S. trade and food industry magazines often see products advertised that they believe will sell in the markets they serve and request these products by brand. Brand name requests also are used to assure product quality.

Because of strong brand preference by foreign buyers, there is intense competition by export companies to obtain trading rights to these products.

Successful exporters in the processed food products group usually have obtained representation rights to one or

EMC Pros and Cons

There are several advantages to using export companies. Perhaps the most significant is faster foreign market penetration with a lower initial investment and less risk. Small suppliers may not be able to effectively export without using these companies.

Other advantages include lower costs to some markets, quicker payment for goods exported, distribution to more markets and nearby expert advice if export problems develop.

more nationally advertised products. The exporting companies may represent the product worldwide, although it is more common to represent it in selected regions. Although desired, the export company may not have exclusive rights even in the markets it serves.

Export companies with exclusive rights to a nationally branded product are more willing to incur expenses and take the time needed to conduct market development in foreign markets. If a significant expenditure of time and money is expected, an export company may require a long-term agreement or a retainer.

Extended marketing agreements are usually for one to three years, with the shorter periods being more common. Terms of an agreement can be quite flexible and are subject to negotiation with each supplier, and perhaps in each region or market.

Marketing agreements are usually contained in letters of understanding. Formal written contracts are seldom prepared, except where large market development expenditures are likely to be incurred by the exporter.

Fresh Fruits, Vegetables and Nuts

Companies that export fresh agricultural products tend to be located near production areas. The largest concentration in the United States is in California, and within California, the San Francisco Bay area.

While still important, brand identification is less a factor for fresh than for processed products. Products are often purchased based on U.S. Department of Agriculture grades specified in the sales contract. Branded products, however, are sometimes requested by buyers to help ensure quality.

Companies that export fresh products make significant efforts to ensure consistent product quality to buyers. Larger companies often employ field inspectors to examine the product at packing houses. Buyers may request product from packers with reputations for high quality. Of course, price must be competitive.

Bulk Grains, Oilseeds and Related Products

While fewest in number, these companies are largest in volume of sales. This sector is dominated by large multinational export companies. Economies of scale preclude small companies from having anything but a peripheral role in exports of grains and oilseeds.

Other Commodities

Two commodities that do not fit neatly into the other classifications are cotton and rice. Several exporting companies specialize in cotton exporting. While U.S. cotton is usually exported as a bulk, unprocessed agricultural product, marketing requirements for quality usually make selling methods more like those for processed food products than those for bulk grains and oilseeds.

Several regional cotton marketing cooperatives make export sales of cotton through Amcot, a joint marketing agency. This joint arrangement provides centralized representation by Amcot personnel in foreign markets, while each individual cooperative continues individual merchandising by its home sales staff.

Rice may be marketed as a processed food product or as a bulk grain. When marketed like a processed food product, rice is usually packaged in bags, and often shipped in containers. Many exports are prepackaged for retail consumers or institutional use. Shipping is often via scheduled ocean liners. Sales contracts specify qualities, and are usually in smaller lots than bulk grains are.

When rice is marketed as a bulk grain, it may be bulk loaded into ships but is usually bagged. Sales quantities are usually large. Ocean shipping is typically via charter ships. Exporters of bulk grains and oilseeds often market bulk rice as well.

On the other hand, there are several disadvantages to using export companies. The supplier has less control over handling, distribution and pricing. Large suppliers may find it less costly to conduct their own export operations.

Some export companies serve only a few markets, and a supplier shipping to many markets may need several export companies. Also, many export companies are not well equipped to do market development of new or specialized products.

Finally, low margins on food products may make some exporters give preference to nonfood products. More highly processed food products usually carry higher margins, and may receive more attention from export companies.

Supplier Support Essential

Regardless of the product exported, companies that buy and sell for their own account and those that sell on commission stress the need for support from suppliers.

Even though the trading company may take title and bear the risk of delivery and collections, it is important that a supplier cooperate with respect to product quality, continuity of supply and label content.

The supplier must be willing to modify product, packaging, shipping schedules or other items to adapt to foreign market preferences. This requires that the supplier be committed to exporting over the long term. ■

This article is adapted, with permission, from the report "Using Export Companies To Expand Cooperatives' Foreign Sales" by Arvin R. Bunker and Tracey L. Kennedy of USDA's Agricultural Cooperatives Service.

U.S. Exporters Have Cracked Dutch Nut Market

By Christian J.M. Langezaal

While the Dutch enjoy a variety of nuts for snacking and baking, the Netherlands itself does not produce any tree nuts or groundnuts. To meet its demand for nuts, the country is completely dependent upon imports. And the United States is the source for the majority of nuts imported by the Netherlands.

Through the years, the United States has been an important supplier of a wide variety of nuts, including peanuts (groundnuts), almonds and walnuts to to the Netherlands. Dutch nut imports have risen from 40,000-50,000 metric tons in the mid-1970s to over 100,000 tons today, reflecting an average annual growth of some 5 percent.

The Dutch market for nuts is a growing one. The United States has the potential to dominate in most areas of this market. An increase in promotional activities could dramatically increase U.S. influence in the Dutch nut market.

Demand for Peanuts Faces Competition

The Dutch are nuts over peanut butter. They consume a large enough quantity relative to their small population that they have become the highest per capita consumers of peanuts in the world. Nearly one-half of the peanuts are consumed as snacks, while the rest are split about evenly between peanut butter and sate sauce, and the bakery and chocolate industries.

While the United States has traditionally been the most important supplier of peanuts to the Netherlands, its position could change. Argentina, the second largest supplier of peanuts to the Netherlands, has seen a rapid growth in demand for its products in recent years and may soon become the primary exporter.

U.S. Holds Large Share in Dutch Almond Market

The Netherlands imports almonds primarily for confectionery purposes. About 70 percent of all imported almonds is futher processed into almond paste and/or marzipan. The other 30 percent is about equally divided between use by the chocolate and baking industries, and by

consumers for snacking. U.S. imports of almonds by the Netherlands have been fairly stable over the years at just under 6,000 tons per year.

U.S. Dominates In-Shell Walnut Market

The Netherlands imports in-shell walnuts in the fall of each year for the Christmas holiday season, and sells them to the consumer in net bags for direct consumption. After December 31, consumer interest in this product vanishes, except in the two northern provinces of Friesland and Groningen where walnuts are popular around Easter. The United States is by far the most important supplier.

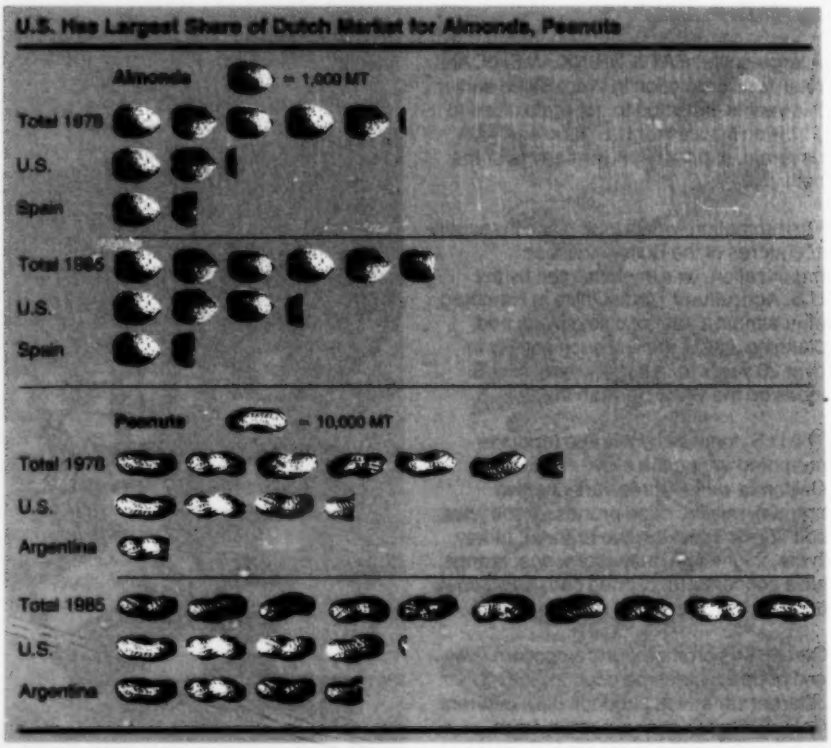
The European Community raised the import duty on in-shell walnuts from 8 to 30 percent in November 1985. U.S. exporters suffered some losses in 1985 due to this increase. The decline in the value of the dollar has left the price on in-shell walnuts to the importer at approximately the same level it was prior to the duty. Therefore, while U.S. exporters may not be hurt as long as the dollar remains weak, they have not benefited in terms of increased volume or higher prices.

The Netherlands imports shelled walnuts mostly for bakery use. France and the United States are the most important suppliers to this market.

Demand Is Less for Other Nuts

Pistachios are relatively unknown in the Netherlands, having never been aggressively promoted. Both the appearance and cost of the nut have made Dutch consumers hesistant to buy it.

The pecan also is a relatively unknown tree nut in this country. It is imported mostly for its attractive red color (when polished) and is used in a mixture of nuts,



packaged in a net bag. The pecan is considered an expensive nut, which diminishes its appeal.

Hazelnuts are imported mostly to make hazelnut paste or cream used in the chocolate and baking industries. Turkey is the dominant exporter of hazelnuts to the Netherlands. The U.S. share of this market is insignificant. ■

The author is with the U.S. Agricultural Affairs Office, The Hague.

"EAT & DRINK AMERICAN" Campaign Is Success in West Germany

By Hilton P. Settle

A large-scale "EAT & DRINK AMERICAN" retail food promotion in West Berlin earlier this year is expected to generate close to $1 billion in sales for U.S. food and beverage exporters in Germany over the next year.

The promotion, which took place in roughly 100 stores of the Bolle retail food organization, was implemented by the U.S. Agricultural Trade Office in Hamburg after almost a year of discussions and planning. It was the first such activity in over 20 years for a large variety of U.S. foods on the West German market.

The U.S. food and beverage products promoted during the event included California wines (three varieties/two brands), raisins, dried prunes, prune juice, soft drinks, whiskey (two brands), turkey livers, thighs and drumsticks, rice, orange juice concentrate, canned corn and kidney beans.

Other items promoted were popcorn (raw and popped), flavored popcorn (seven different varieties), almonds (four different flavors), Red Delicious apples, fresh pears, canned California cling peaches, fresh grapefruit, grapefruit juice and striploin and sirloin steaks.

As a direct result of this first "EAT & DRINK AMERICAN" retail campaign, consumer sales of the 30 U.S. food and beverage products during the two-week promotion amounted to approximately $445,000.

12 New U.S. Products Listed

In addition, 12 of the U.S. products promoted have now been listed by the Bolle chain in Berlin, resulting in further sales of approximately $132,000 during the three months following the promotion.

These new items were prune juice, dried prunes, raisins, raw popcorn, canned kidney beans, all four flavors of almonds and striploin and sirloin steaks. Prior to this promotion, Bolle carried only three U.S. food and beverage items.

The promotion was advertised under the "EAT & DRINK AMERICAN" logo in the three leading West Berlin newspapers three times during the two-week period.

Special in-store promotional materials featuring the new logo were also printed. These included posters, labels, flags, streamers and a consumer information brochure with recipes using U.S. foods.

New York City Trip Offered

The Bolle organization also sponsored a contest for its consumers during the promotion, featuring a grand prize of a trip for two to New York City.

Bolle has 72 stores in the Hamburg area (including 35 stores recently purchased from Safeway). As a result of this successful promotion, some U.S. foods may be added to the present product lines of the Hamburg stores.

The flavored popcorn products, for instance, have already been listed. These listings by the Bolle chains in West Berlin and Hamburg represent the first retail sales of these U.S. popcorn products, which were introduced at the ANUGA 1985 U.S. Food Exhibit. Similar promotions of U.S. food and beverage products are planned in the near future. ■

The author is U.S. agricultural trade officer in Hamburg. Tel. (011-49-40) 341-207.

New Market Guide Profiles
West German Essential Oil Market

A market guide for U.S. exporters of essential oils to West Germany has recently been prepared by the U.S. Agricultural Trade Office in Hamburg. According to the guide, the market for essential oils in West Germany is large, and in some areas, growing. Most imports are handled through import agents, since the majority of essential oil users need quantities sufficient to meet only their own production requirements.

The market guide provides statistics on West German imports and exports of essential oils during 1981-85. It considers only those essential oils imported from the United States. These are peppermint and other mint oils, sweet and bitter orange oil, lemon oil, other citrus oils, conifer needle oil, other essential oils, resinoids and mixtures of fragrances and aromas, both natural and synthetic.

Hard Times for U.S. Oil Exports

The guide explains that U.S. exporters and West German importers have experienced difficult times, especially in 1985. These were brought about by the high value of the dollar relative to foreign currencies, as well as fluctuations between the dollar and the Deutsch Mark (DM).

As a result, U.S. shipments of almost all types of essential oils declined in 1985. However, West German imports of U.S. mixtures of fragrances and aromas, both natural and synthetic, increased during this period.

U.S. Exports of Oils Decline in 1985

German imports of peppermint and other mint oils from the United States fell by 32 percent in 1985, but because of lower total imports, the U.S. market share declined only to 24 percent, compared to an overall 31 percent decline in 1984.

Citrus oil imports from the United States also fell 28 percent in 1985, resulting in a decline in U.S. market share from 14 to 9 percent. U.S. shipments of mixtures of fragrances and aromas, both natural and synthetic, actually increased in 1985 by 34 percent.

For further information on exporting essential oils to the German market, contact the U.S. Agricultural Trade Office in Hamburg, West Germany, Tel. (011-49-40) 341-207. ■

U.S. Has Big Share of West German Essential Oil Imports
(100 kilograms)

	1981	U.S. Share (Percent)	1982	U.S. Share (Percent)	1983	U.S. Share (Percent)	1984	U.S. Share (Percent)	1985	U.S. Share (Percent)
Mint[1]	4,099	24	3,661	24	5,197	20	4,007	31	3,544	24
Orange[1]	20,370	12	20,969	8	20,605	9	19,282	13	24,461	8
Lemon[1]	1,770	13	1,560	10	1,763	8	2,107	18	1,774	13
Other citrus[1]	3,013	9	1,838	27	1,528	22	1,815	25	925	24
Conifer[1]	654	—	1,595	—	607	—	837	8	785	6
Other essential[1]	9,223	4	6,971	12	9,580	11	8,277	10	7,182	11
Resinoids	2,192	6	1,858	3	743	5	1,231	20	904	15
Fragrances & aromas:										
Food	39,126	8	39,908	8	44,153	5	44,723	3	60,631	5
Industry	40,460	6	47,564	7	53,825	8	60,549	7	59,213	7

[1]With terpene.

Country Briefs

Jamaica

Campaign To Spur Dairy Output Creates Demand for U.S. Breeds

The Jamaican Ministry of Agriculture recently announced a four-part program to improve local milk production. This would provide U.S. exporters with an excellent opportunity to export high-quality U.S. dairy cattle.

The genetic base of Jamaica's dairy herd has not changed in 40 years and there are increasing problems with inbreeding. As a result, milk production has been declining. Jamaica is looking for animals which will be compatible with the Jamaica Hope breed—which is a cross between the Indian breed (for tropical tolerance) and the British Jersey (for milk production).

Jamaica is interested in importing between 6,000 and 8,000 dairy cattle over the next two or three years. Jersey is the most desired breed, based on higher survival and lower infection rates, with Brown Swiss next and then Holsteins.—Marvin L. Lehrer, Agricultural Attache, Santo Domingo.

Tunisia

Seed Imports Rise Rapidly; Opportunities for U.S. Grow

Tunisia's imports of seeds in 1985 totaled nearly 23,000 metric tons, valued at $64 million. This was a 50-percent increase in quantity and a 64-percent increase in value from the year before. The market for seeds in Tunisia is expanding due to the government's policy of encouarging production of fruit, vegetables and forage crops, and expanding irrigation to new lands.

At present, the main Tunisian imports have been of seeds for potatos, pulses, forage crops and vegetables. Seeds of major interest include forage crops, such as sorghum, corn for silage, vetch alfalfa and various grasses, both irrigated and non-irrigated. Seeds of chick peas and soybeans are also of interest, as are fruit tree seedlings (such as apples and pears).

For U.S. exporters interested in breaking into the Tunisian market, commercial seed imports are handled by a number of governmental and semi-governmental organizations. The National Institute of Agronomic Research (INRAT), which is part of the Ministry of Agriculture, determines which seed varieties may be imported. Formal approval is made by an interministerial committee after receiving the advice of INRAT. Exporters interested in listing new varieties must contact INRAT, send seed samples and also send an application fee of $240 each year per variety.

Normally, field tests must be performed by INRAT for three consecutive crop cycles before the variety can be approved for import and listed in the official seed catalogue. When a new variety is approved, this fact, as well as the name of the applicant for approval, will be listed in Tunisia's Official Journal.

It helps to maintain contact with INRAT during the testing period. U.S. exporters with varieties to test may wish to either visit Tunisia periodically to check on progress, or make an agreement with a local agent (such as one of the local seed importing firms) to be sure that action is proceeding on the variety.—Thomas Pomeroy, former Agricultural Trade Officer, Tunis.

Egypt

Demand Continues Strong For U.S. Soybean Meal and Oil

Egypt continues extremely short of protein meals, creating good sales opportunities for U.S. exporters. Feed use in Egypt has been growing strongly as the demand for meat has grown. The Egyptian government has encouraged increased local meat production and this, together with strong meat prices, have pushed oilseed meal prices to all-time highs.

Soybean meal is the only oilseed meal imported into Egypt. Purchased by the private sector, it is sold to private feed mills. Most soybean meal is used by the still-growing poultry sector. However, a great deal of potential still lies in the beef and dairy sectors. Imports are expected to continue growing as a result. Oilseed meal imports totaled 300,000 tons last year and are projected to reach 400,000 tons in 1986. Meal from U.S. soybeans is preferred over the Brazilian product and the United States is, in fact, the largest supplier of meal to Egypt; most of it transhipped through Rotterdam. Imports from the United States totaled 113,000 tons last year and may increase further this year.

Most meal is still imported in bags in small shipments, but more bulk shipments are occurring because of the installation of a new floating elevator at Abu Keer near Alexandria.

There also is growing demand in Egypt for vegetable oil. Egypt's population is increasing by 1 million persons every nine months and is now over 50 million. Most of the vegetable oil consumed is imported, and imports are likely to continue in the future. The traditional preference in Egypt is for cottonseed oil. Soybeans, being relatively new, for the most part are not crushed and refined properly, and soybean oil is less popular with Egyptian consumers.

Prices for most oilseed products are kept low through government subsidies, and the mix available to consumers will continue to depend on production and import policies.—Gerald W. Harvey, Agricultural Counselor, Cairo.

Singapore

Launch of New Product Could Boost U.S. Chicken Sales

McDonald's restaurant chain recently sales-tested a new menu item—chicken wings—in Singapore, marking the first time a product has been developed in Singapore and the first time the parent company has approved the sale of a locally developed product.

The chicken wings were conceived and developed in Singapore after two years of research and development with McDonald's International food consultants. The chicken wings come from the United States, where they are marinated, then shipped directly to Singapore. A serving size is five chicken wings for roughly US$1.15.

McDonald's already lays claim to half of the roughly $23 million fast-food market in Singapore.—Peter O. Kurz, Agricultural Trade Officer, Singapore.

Korea

Rapeseed Imports Could Cut Into U.S. Soybean Sales

Korea has announced it is opening the door to imports of rapeseed for use in food products. Although the quantity involved in this decision is not great (a 12,000-ton quota during July-December 1986), this is an important step forward for those working to introduce rapeseed oil to Korean edible oil-consuming industries. It is also a development that bears close watching by U.S. soybean exporters, since rapeseed oil could displace soybean oil in the Korean marketplace.

U.S. soybean exports to Korea during September 1985-April 1986 totaled nearly 674,000 tons, up 36 percent from the same period a year earlier. In addition, the United States exported over 43,000 tons of soybean meal to Korea during the same 1985/86 period, compared with none a year earlier.

The imported rapeseed will be allocated to domestic soybean crushers, with the pricing mechanism and system of imports still to be worked out. The direct competitive impact of rapeseed imports on soybean purchases will depend on two factors: The price of the rapeseed to crushers, after surcharges or other pricing arrangements are determined, and whether the government decides to expand the import quota next year.

If the price to crushers turns out to be relatively high in relation to soybean prices, crushers will probably blend the rapeseed oil into existing vegetable oil products and will resist expansion of rapeseed imports in the fuuture.

Rapeseed is a minor crop in Korea, with annual production totaling about 5,000 tons a year and declining. Korea has not developed low erucic acid rapeseed varieties, so rapeseed oil has not been used in food products here. However, it is possible that imported rapeseed will be subject to some form of special taxation, the proceeds of which will be directed toward programs to develop and encourage cultivation of high-yielding, low erucic acid rapeseed varieties in Korea.—Daniel B. Conable, Agricultural Counselor, Seoul.

Malaysia

Bright Outlook for Textiles Improves Chances for U.S. Cotton

The 1986/87 outlook for U.S. cotton sales to Malaysia appears promising, given the much more competitive U.S. prices anticipated for the 1987 marketing year as a result of the 1985 farm bill. In fact, the U.S. market share is expected to recover to its normal level of about 40 percent, from a 10-percent share during the 1985/86 marketing year. Malaysia imported a total of 126,000 bales of cotton from all sources in 1984/85.

Malaysian spinners are anticipating a gradual upturn in the world textile market in 1986/87 and their consumption of cotton is expected to increase. In 1985, Malaysia's textile garment export earnings reached an all-time high of $536 million, a record performance led by a steep rise in textile and garment sales to the United States. Exports to the United States increased more than sevenfold during 1985.

A development that bears watching is the emergence during the past year of Australia as an important supplier to Malaysia's cotton spinners. From a mere 23 tons in 1984/85, Australia captured 17 percent of the market during the first half of 1985/86, thus becoming the third largest supplier after the United States and the Ivory Coast. Australian cotton has the quality to match the Tanzanian long staples. However, Australian production is very much geared to its domestic market and the availability for exports is somewhat limited.

On a smaller scale, Chinese cotton also has made further inroads in the Malaysian market. China is now the fifth largest supplier. While inconsistent quality as well as unreliable shipping still deter millers from using more Chinese cotton, in the long run China will likely overcome these problems. Consequently, China is expected to become a formidable competitor for U.S. cotton exporters in Malaysia and throughout Asia.—Frank Tarrant, Agricultural Attache, Kuala Lumpur.

Taiwan

Strong Sales Potential Exists for U.S. Alfalfa

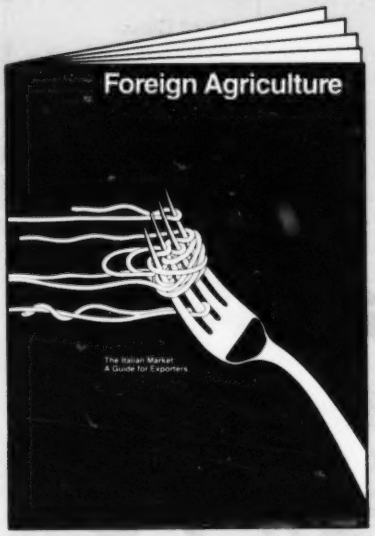
Recent growth in Taiwan's dairy cattle industry has spurred demand for imported, high-quality alfalfa. In 1985, imports of alfalfa totaled nearly 10,000 tons, nearly twice the level of only two years earlier. Imports this year are forecast at 15,000 tons, valued at nearly $2.3 million.

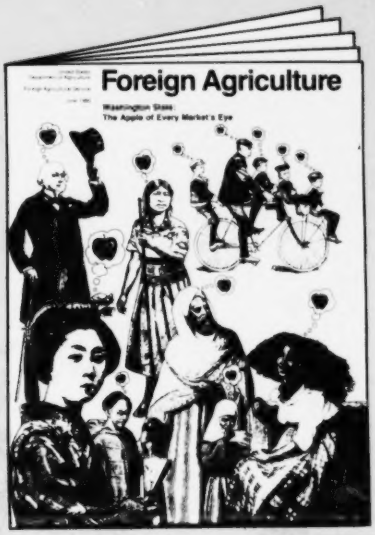
Taiwan's expanding dairy cattle industry provides the foundation for the recent growth of alfalfa imports. In addition to increasing herd size, Taiwan's dairy farmers are also attempting to improve cattle quality and milk production. Herd size increased to almost 40,000 head in 1985, including 18,000 milkers. However, total milk production is comparatively low, perhaps because of the low-grade diet many of new-to-industry dairy farmers are providing their prime dairy cattle. Brewers' grains, corn and peanut stover, sugarcane tops, soybean pumice and pineapple waste are common items on many dairy farm menus, resulting in a lack of fiber which hampers proper ruminant functions and milk production. Industry estimates suggest only 20 percent of Taiwan's dairy farmers are currently feeding alfalfa—indicating there is good potential for larger sales.

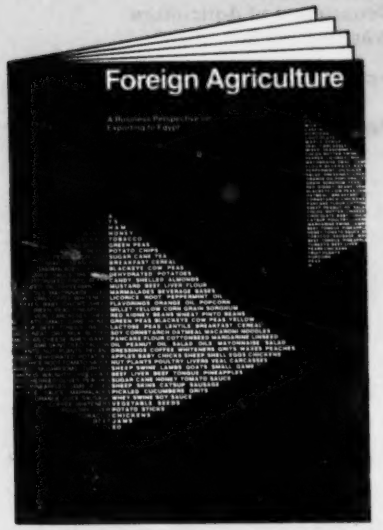
Taiwan's hog and poultry industries also have consumed alfalfa pellets in the past when corn and soybean prices have been uncompetitive. Alfalfa pellets were fed to breeding sows and layers. Currently corn and soybean prices are expected to continue relatively low, which suggests that large alfalfa sales are unlikely this year. However, these markets bear watching since the demand for alfalfa is price-sensitive.

The dairy goat industry is another potential market for alfalfa pellets. Alfalfa is used as a supplement, not principal, feed. Taiwan's current dairy goat herd is estimated at around 9,000 head. Deer (35,000 head) and rabbits (90,000 head) also consume small amounts of alfalfa, mostly pellets.

While Canada has captured most of the Japanese import market for alfalfa in the past, the United States is in a good position to improve its market position if it can be price-competitive. Market promotion activities with local dairy farmers also could help convince local farmers that their milk production stands to increase by feeding alfalfa.—*John T. Hopkins, U.S. Agricultural Officer, Taipei.*







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